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Canada
ROYAL COMMISSION
ON
TRANSPORTATION

EVIDENCE HEARD ON

FEB 15 1950

VOLUME

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Professor H.A. Innis

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in

Exhibit

by Mr. Carson

EXHIBIT

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EXHIBIT

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ROYAL COMMISSION ON TRANSPORTATION

OTTAWA, ONTARIO,
WEDNESDAY,
FEBRUARY 15, 1950.

THE HONOURABLE W.F.A. TURGEON, K.C., LL.D. - CHAIRMAN

HAROLD ADAMS INNIS - COMMISSIONER

HENRY FORBES ANGUS - COMMISSIONER

G.R. Hunter
Secretary

P. L. Belcourt
Asst. Secretary

COUNSEL APPEARING:

F.M. Covert, K.C.	}	Royal Commission on Transportation
G.C. Desmarais, K.C.		
A.H. Hart	)	Canadian National Railways
C.F.H. Carson, K.C.	}	Canadian Pacific Railway
F.C.S. Evens, K.C.		
I.D. Sinclair		
C. D. Shepard	)	Province of Manitoba
M.A. MacPherson, K.C.	)	Province of Saskatchewan
J.J. Frawley, K.C.	)	Province of Alberta
F.D. Smith, K.C.	}	Province of Nova Scotia; Transportation Commission of the Maritime Board of Trade
J. Paul Barry	)	Province of New Brunswick
C.W. Brazier	)	Province of British Columbia
F.R. Hume	}	Canadian Automotive Trans- portation Association
M.L. Rapoport		

Ottawa, Ontario,
February 15, 1950.

MORNING SESSION

C. E. JEFFERSON, recalled:

EXAMINATION BY MR. CARSON, continued:

THE CHAIRMAN: Very well, Mr. Carson.

MR. CARSON: Q. Before we continue with horizontal percentage increases, you discussed Exhibit 165 yesterday, which would show the comparison of the Canadian Pacific Railway Prairie and Pacific region revenue per ton mile on grain and grain products, and so on, and gave data with respect to the Great Northern and the Northern Pacific. Dr. Innis asked you, I think, if you had similar information split up as between the Prairie and Pacific regions and for the Eastern region particularly?

A. Yes, sir.

Q. There has been prepared a statement showing that data?

A. Yes, sir. I have a statement to show it.

MR. CARSON: That will be Exhibit 170.

EXHIBIT No. 170: Filed by : Canadian Pacific Railway-
Mr. Carson: Statement showing Com-
: parison of Canadian
: Pacific Railway Revenue
: per Ton Mile on Grain and
: Grain Products with All
: Traffic - Year 1948 and
: January to November, 1949.

THE CHAIRMAN: How would you describe this Exhibit 170?

MR. CARSON: Exhibit 170 is a statement:

"Showing Comparison of Canadian Pacific
Railway Revenue per Ton Mile on Grain and Grain
Products with All Traffic - Year 1948 and January
to November, 1949."

In the case of those two periods, the revenue per ton

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mile for the Prairie and Pacific regions is compared with the revenue per ton mile for the Eastern region.

MR. CARSON: Q. Is that right?

A. Yes, sir.

Q. Would you like to explain Exhibit 170 to Dr. Innis in your own way?

A. Well, under the heading of the year 1948, the revenue per ton mile is shown for the Prairie and Pacific regions, and for the Eastern region separately, for grain and grain products, for all traffic, and for all traffic except grain and grain products.

Q. Exhibit 165, yesterday, gave the figures for the Prairie and Pacific regions alone?

A. That is right.

Q. Yes.

A. It will be seen that the ton mile earnings in the three groups, those of the Eastern region are higher than for the Prairie and Pacific regions.

Then we show similar information for the months of January to November, 1949, because the December figures are not available.

It will be seen that while the ton mile earnings of the three groups -- those for the Prairie and Pacific regions are higher in 1949 than in 1948, while those for the Eastern region are higher for 1949 than for 1948, and that the increases in the Eastern region are much more pronounced than in the Prairie and Pacific regions.

For example, on grain and grain products, the Prairie and Pacific Region ton mile earnings increased from 0.55 to 0.56 cents; while in the Eastern region, the increase was from 0.62 cents to 0.73 cents.

MR. CARSON: Was that the information you

wanted, Dr. Innis?

COMMISSIONER INNIS: Yes, thank you.

COMMISSIONER INNIS: Q. I was wondering whether the increase in the spread, for example, between Eastern regions and the Prairie and Pacific regions on grain and grain products as compared with traffic other than grain products -- I notice it is very marked. Is there any explanation for it?

A. On the grain and grain products the reason for the much greater increase in the Eastern region than the Prairie and Pacific regions is due, first, to the fact that no increase occurred on the rates on grain and grain products within Western Canada in October, 1949, or, for that matter, in April, 1948, which applies to the earlier months of 1949, because we did not have the increase until --

Q. I was more concerned about the marked increase than the rates on all traffic.

A. In Eastern Canada, the increases applied to the grain and grain products not only for domestic movements, but also, at the same time, as the international rates were increased, because at least grain rates were increased on two occasions in 1949.

With respect to all traffic except grain and grain products, the larger increase in the East as compared to the West could be attributed to the larger amount of international and overhead traffic in Eastern Canada than in Western Canada, where there were two increases in 1949, one in January 1949, and the other one, I think, was effective in September 1949.

MR. CARSON: Q. Would the increase in competitive rates be a factor in that, as well?

A. The increase in competitive rates in the East

would also be a factor, because they were increased 15 per cent, effective the 15th of September, 1948; and for the first eight and one-half months of 1949 there would be a larger increase on those movements in the East than in the West.

COMMISSIONER INNIS: Q. If you subtract 55 cents from \$1.31, that would leave 66 cents; and if you subtract 62 cents from \$1.57, that leaves 95 cents. This is 1948?

A. Yes, sir; but the 55 subtracted from \$1.31 leaves 76.

Q. And the other is 95, is it not?

A. Yes, sir.

Q. Can you explain this difference in the way in which you have done?

A. Yes, sir.

MR. CARSON: Q. So that we may have a reference on today's record where it was discussed yesterday, it was at page 15241.

A. That difference is not 76 cents, Dr. Innis, it is 0.76. Of course, it is mills, not cents.

COMMISSIONER INNIS: I see.

MR. CARSON: Q. And the other figure would be 0.95?

A. Yes, sir.

COMMISSIONER INNIS: It is a very material difference.

THE WITNESS: I beg your pardon?

COMMISSIONER INNIS: Q. It is quite material, quite a material difference?

A. Yes, sir.

MR. CARSON: Q. Then, may we return to the subject we were discussing at the adjournment

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yesterday afternoon, and that was the subject of horizontal increases.

THE CHAIRMAN: What was that?

MR. CARSON: Mr. Jefferson had commenced to read at page 55 of Part II of the Canadian Pacific submission and he had got down to the end of the first paragraph on page 56.

MR. CARSON: Q. Would you please continue from there, Mr. Jefferson?

A. Yes.

"Before dealing with the principle involved, it may be pointed out that the practice of the Interstate Commerce Commission in this respect is not necessarily an authority to be applied with any confidence in this country because of the very different conditions in the United States. The principal distinction between conditions here and those in the United States lies in the fact that the United States railroads themselves are largely responsible for the practice of establishing exceptions to percentage increases based upon a maximum number of cents per hundred pounds. This, it is submitted, may largely be attributable to the fact that in the United States there are a very large number of small railway systems whose interest lies in maintaining industries already located on their lines or in inducing new industries to locate there in preference to locating on the lines of other railways closer to the principal market. In Canada, however, there are relatively few railroads and therefore the competition, so far as it relates to their geographical location, is not of the same importance

The first part of the paper is devoted to a general discussion of the problem of the existence of a solution of the system of equations

$$F(x, y, z) = 0, \quad G(x, y, z) = 0, \quad H(x, y, z) = 0,$$

where F, G, H are functions of three variables.

The second part of the paper is devoted to a study of the properties of the solutions of the system of equations

under the assumption that the functions F, G, H are analytic.

The third part of the paper is devoted to a study of the properties of the solutions of the system of equations

$$F(x, y, z) = 0, \quad G(x, y, z) = 0, \quad H(x, y, z) = 0,$$

under the assumption that the functions F, G, H are analytic.

The fourth part of the paper is devoted to a study of the properties of the solutions of the system of equations

under the assumption that the functions F, G, H are analytic.

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under the assumption that the functions F, G, H are analytic.

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under the assumption that the functions F, G, H are analytic.

The eighth part of the paper is devoted to a study of the properties of the solutions of the system of equations

under the assumption that the functions F, G, H are analytic.

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under the assumption that the functions F, G, H are analytic.

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under the assumption that the functions F, G, H are analytic.

The twelfth part of the paper is devoted to a study of the properties of the solutions of the system of equations

under the assumption that the functions F, G, H are analytic.

The thirteenth part of the paper is devoted to a study of the properties of the solutions of the system of equations

under the assumption that the functions F, G, H are analytic.

The fourteenth part of the paper is devoted to a study of the properties of the solutions of the system of equations

under the assumption that the functions F, G, H are analytic.

The fifteenth part of the paper is devoted to a study of the properties of the solutions of the system of equations

under the assumption that the functions F, G, H are analytic.

to the railway systems as in the United States. Whatever may be the reason for the practice of the United States railroads, the fact remains that most of the applications in the general increase cases contain these exceptions. One can quite readily realize that the Interstate Commerce Commission in these circumstances might feel that the practice should not lightly be disturbed."

Q. Have you any further observations to make on that subject, of the United States practice compared with our practice?

A. It has been stated before this Commission that the Board of Transport Commissioners have granted percentage increases for freight rates without maximums, but as in the United States, the Interstate Commerce Commission have prescribed maximum increases which may be made.

This Commission has been asked to recommend that our Board follow the practice of the Interstate Commerce Commission.

Q. Now, Mr. Jefferson, there has been a great deal said here by way of comparison between the practice before our Board --

THE CHAIRMAN: What did Mr. Jefferson read from?

MR. CARSON: He was reading from his notes. I was just going to ask him to develop this --about what has been said in these proceedings by way of the comparison of the practice before our Board and that before the Interstate Commerce Commission, in the way of exceptions to these horizontal increases.

MR. CARSON: Q. As far as the other Commission is concerned, what kind of exceptions are made

in these cases in the United States?

A. Our own Board as well as the Interstate Commerce Commission have, on occasions, made exceptions by way of granting flat increases in cents per hundred pounds, or per ton, on certain commodities.

Other exceptions have been made by way of applying percentage increases with a maximum increase in cents per hundred pounds or per ton.

Q. In the recent cases before the Interstate Commerce Commission, what has been the practice?

A. In Ex Parte 123 in 1938 there were relatively few exceptions made by the Interstate Commerce Commission. And in the case of a vast majority of commodities, flat percentage increases were applied.

Q. Yes?

A. This was also true in Ex Parte 168.

THE CHAIRMAN: Would you tell us where that Ex Parte 123 is reported?

MR. CARSON: Q. Have you got the reference to that case in the Interstate Commerce Commission Reports?

A. Ex Parte 123?

Q. Yes.

A. We have it here. I can get you a reference to it.

MR. EVANS: Yes, I have a note from the other day. Is it 248 I.C.C. Reports?

COMMISSIONER INNIS: These were the cases which were discussed the other day?

MR. EVANS: Yes; they are all the same cases.

THE WITNESS: Ex Parte 123 is reported at 226 I.C.C., page 41.

MR. CARSON: Q. Yes. You said that in

... as well as the Interpretation of ...

Submitted by: _____ Date: _____

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Patented July 2, 1935

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that proceeding, in the case of a vast majority of commodities, there was a flat percentage increase?

A. Yes, sir.

THE CHAIRMAN: Pardon me a moment. I understand from what you said on page 56, that in the United States, where you have one principal market with a number of railways competing for the business to carry to that market, you have action on the part of the railways themselves which provides these favourable rates to industries in order to keep their tariffs going on that particular line of railway.

That, I think, is the origin of this practice in the United States.

In addition to that, have there been cases before the Interstate Commerce Commission wherein the railways opposed the fixing of that sort of rate, and the condition is granted to them, notwithstanding? Isn't that what you are dealing with now?

THE WITNESS: Yes, sir. I cannot give you the number of instances where the railroads opposed; but I can give you the instances --

(Page 15336 follows)

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THE CHAIRMAN: But you have just referred to two cases.

A. Yes, I am going to develop four cases.

Q. Where the Commission did fix this kind of rate?

A. Yes.

Q. Was that something that the Commission imposed on the railways despite opposition, or was it a matter of agreement, or what was it?

A. In some instances the railroads suggested maxima, and the Commission granted them in that manner, or modified the maximum. In other instances the railroads asked for a straight percentage increase.

Q. Straight percentage increase?

A. Percentage increase.

Q. That is, horizontal increase?

A. Well, that is the same thing, horizontal increase, and the Interstate Commerce Commission set a maximum.

Q. Yes, I see. At whose request?

A. I would assume at the request of the shippers during the proceedings.

Q. Of the industries affected?

A. Yes, sir. I am going to develop that a little later here.

MR. CARSON: Q. You said that this was also true in Ex parte 168, that is, where flat percentage increases were applied, and when was that decision rendered, Ex parte 168?

A. That was rendered in August 1949.

Q. And have you got the reference there to the reports?

THE CHAIRMAN: 1949?

MR. CARSON: Yes, my lord.

THE WITNESS: Yes, sir. The final decision in Ex parte 168 in August 1949, was 276 I.C.C. 9.

MR. CARSON: Q. Now, are you going on to mention two other cases?

A. In Ex parte 162, in 1947, and in Ex parte 166 in 1948, the decisions of the Interstate Commerce Commission contained a large number of exceptions.

Q. Have you got the reports of those decisions conveniently at hand?

A. Yes, sir. Now, the final decision in Ex parte 162, is 266 I.C.C. 537.

Q. Yes.

A. And the final decision in Ex parte 166 is 270 I.C.C. 93.

Q. Now, Mr. Jefferson, to what do you attribute the practice followed in the United States with respect to these exceptions?

A. There is a very different situation in the United States from that existing in Canada. I say this because in the United States there are a large number of separate railway companies on whose lines are located, for example, producing areas. These producing areas are competing in a common market. It is therefore in the interests of the railways tributary to the producing areas to carry as much traffic to the common market as can be obtained. In the result there is a tendency

on the part of the railways to attempt to bring about exceptions to flat horizontal percentage increases in order to promote their own traffic in competition with railways serving competing producing areas.

Q. Can you give the Commission an example of that, Mr. Jefferson?

A. Well, an example I might give is in the case of fresh fruit and vegetables where large producing areas shipping to northern markets such as New York and Chicago, situated in Florida, Texas and in California; in each of those areas there are different railway companies serving each area. These are competing not only with each other but are competing with traffic going to the common market with the other producing areas served by quite different railway companies. It is therefore in the interests of these railway companies to avoid percentage increases where possible.

Q. How have the large majority of these exceptions originated?

A. In the vast majority of cases exceptions have originated with the railways themselves and the exceptions are set out in the application. It does not follow that the Interstate Commerce Commission grants the exceptions in the terms in which they are applied for.

Q. Now, have you an example of that?

A. Yes, sir, in the case of iron and steel products.

THE CHAIRMAN: Iron and steel?

A. Iron and steel products, yes, sir. The railways applied in Ex parte 162 - -

MR. CARSON: Q. That is the 1947 case?

A. Yes, sir, for an increase of 25% with a maximum of 80¢ a ton or 4¢ per hundred pounds.

Q. Yes, and why was that maximum applied for by the railways?

A. That maximum was applied for principally because the New York Central and the Pennsylvania interests desired to see the steel industry retained in the Pittsburgh/^{area}. They felt that they had to encourage the steel industry to remain in the Pittsburgh/^{area}, and that unless they provided such encouragement there would be some danger of decentralization of that industry.

Q. And what happened in that case?

A. The Interstate Commerce Commission rejected the application of the railways and increased the maximum to 10¢ per hundred pounds or two dollars per ton.

Q. That is, the railways applied for a maximum of 4¢ per hundred pounds, but the Interstate Commerce Commission increased that maximum to 10¢ per hundred pounds?

A. Yes, sir. I might say - -

THE CHAIRMAN: Would you explain to us why the Commission did that? That is, it would appear from what I have heard so far that the railways wanted to give a lower rate and the Commission said "no". Who opposed the granting of this lower rate?

A. Of the lower - well, the opposition would come from the steel company in the competing - -

THE CHAIRMAN: In other areas?

A. I might explain there, because at the time I was familiar with it, that it was the maximum suggested by the railroads in the Pittsburgh area; was brought about due to the fact that they didn't want to see the rate on iron and steel products in the Pittsburgh district to New York increased by a much greater amount than from the steel producing area in the Bethlehem, Pennsylvania, district. For that reason the New York Central and the Pennsylvania suggested a maximum ^{increase} to 80¢ a ton, but the Commission thought the 80¢ a ton maximum was too low, and they made it two dollars. I would assume that they may have had two reasons for making it, increasing the maximum. One was, that they did not consider it was sufficiently high, and the other was that it would place an added burden on other traffic.

Q. Well, that is, the Commission considered that it would give an unfair advantage in the Pittsburgh field, is that it?

A. Yes, sir, and it would place an added burden on other traffic to yield the amount of increased revenue necessary.

Q. Have we a sample of any similar proceedings in Canada ever having occurred?

A. Taking steel, for instance, iron and steel commodities, we did have an application in the 30 per cent Case from the Algoma Steel Corporation where they wanted the increase from Sault Ste. Marie held to a certain maximum because they were competing in the Western Ontario market with steel produced in the Hamilton area.

Q. Nearer the market?

A. Nearer the market. Now, the Commission did not adhere to the views of the Algoma Steel Corporation in the 30 per cent Case, or the 21 per cent Case as we call it. I really don't know just why they did not, but there are a number of reasons why the railways would think that they could both stand a percentage increase.

Q. It looks to me this way, and you tell me if I am wrong. In the United States they have certain lines of railways which carry traffic from Pittsburgh, say, to the market endeavouring to lower their rates and the Commission say: "No, you must not do that because there are other areas producing the same products on other lines of railway and if we give you this lower rate, it will put those other areas and those other railways in an unfair position." Is that so?

A. Yes, that would be so.

MR. CARSON: And in this present case, I do not know whether you mentioned to the Commission that the Saskatchewan coal producers in the 21 per cent Case objected to a maximum.

THE CHAIRMAN: That has been before us too.

MR. CARSON: Yes.

THE WITNESS: The Saskatchewan coal operators objected to a flat increase on coal.

Q. To a flat increase?

A. Yes, they wanted a percentage increase.

THE CHAIRMAN: They said, it gave the Alberta producers an advantage over them in getting to Winnipeg. But the difference is in this Saskatchewan case that it is not a question of competing railways; it is competing industries only?

A. Competing areas.

MR. CARSON: Then, I am reminded of the New Brunswick objection?

A. Yes, I think the coal producers in the Minto area objected to the flat increase on coal.

Q. Now, have you made any analysis of the recent Judgments of the Interstate Commerce Commission to see how far these exceptions originated with the railways?

A. Yes, sir, we made an analysis of the Decisions of the Interstate Commerce Commission to which I have referred, that is Ex Parte 123, 162, 166 and 168 and analyzed the instances, first the instances where the maximum applied for by the railroads was granted by the Interstate Commerce Commission; secondly, the instances where the maximum applied for by the railroads and the Interstate Commerce Commission increased the maximum; thirdly, instances where maximums were applied for by the railroads and the Interstate Commerce Commission reduced the maximums and in the fourth instance where the railroads applied for flat percentage increases without maximum and the Interstate Commerce Commission set a maximum.

Now, you cannot analyze those cases by individual commodities because -- take lumber and lumber articles, now lumber articles there would be a great number --

THE CHAIRMAN: I have taken it for granted that you have given us all these cases?

A. I have not, no, sir.

Q. I mean cases which would exemplify what you say?

MR. CARSON: You are giving cases now which will exemplify this point you have been making?

A. That is right. In analyzing it we took the number of items in the tariffs authorizing the general increases in rates and the tariffs are on file with the Board of Transport Commissioners and the tariffs bear the same numbers as the Ex Parte cases. In the case of Ex Parte 123 --

Q. That is the 1938 Case?

A. Yes -- there were only four instances, or four items, where the increases granted were subjected to any maximum increase. In the Ex Parte 162 Case there were 115 instances and in the Ex Parte --

Q. Out of how many, Mr. Jefferson?

A. Out of how many what?

Q. Out of how many instances? You say there were 115 -- out of how many items?

A. Well, I am giving the items but, of course, the items are not there for the commodities where the percentage increase applied without maximum but that would be in the thousands.

Q. I did not assume you could give the exact count -- just an approximation.

A. It would be all the items in the classification, and I do not know -- it may run 7,000 -- 10,000; it would be a very large number of items.

Q. And that would be true when you spoke of four items in 1938?

A. Quite right, yes, sir.

Q. I am sorry to have interrupted you. Then you were going on to the next one?

A. Now, in Ex Parte 166 --

Q. That is a 1948 Case?

A. Yes -- there were 140 items.

Q. Again, out of several thousands?

A. Yes, sir, and in Ex Parte 168 --

Q. That is a 1949 Case?

A. Yes, -- there were only seven items.

COMMISSIONER ANGUS: Does the number of items appear to vary with the percentage of increase? That is, are there more items if it is a big percentage increase than if it is a small one?

A. Yes, sir, that I think is true, because the percentage increases in Ex Parte 123 and Ex Parte 168 was less than the percentage increase in the 162 and the 166 Cases.

MR. CARSON: Now, I was going to ask you if you had anything more to say as to whether the situation in the States differs from that obtaining in Canada?

A. Well, there are only really two railway systems in Canada; the other railways are relatively small. In the result, therefore, very few large producing areas are tributary to only one of two systems. There is, therefore, not the same incentive for the railways to make these exceptions as there is in the United States.

Q. Now, what conclusion do you as a traffic officer derive from these facts?

A. In my opinion the exceptions in the United States cannot be said to have arisen because of the objection to horizontal increases as such but principally to railway

and market competition as between different producing areas served by different railways interested in common markets.

Now, we might draw the Commission's attention to two paragraphs on Page 65 of the Judgment of the Board of Transport Commissioners in the 21 per cent Case. In that Judgment the Commission said: "Strong exception was taken by the respondents --"

MR. SMITH: I wonder if you would give me that reference?

MR. CARSON: Page 65 of the 21 per cent Judgment.

THE CHAIRMAN: Does Page 65 set out that Case?

MR. CARSON: He is drawing the Commission's attention to the view of our Board in the 21 per cent Case, my lord. When the Judgment says: "Strong exception was taken by the respondents", the provinces were the well known respondents in that Case?

A. Yes, sir:

"Strong exception was taken by the respondents to the granting of a straight percentage increase in freight rates. But, as I view the matter, this is the only workable and practical method of dealing with the question in order to provide the additional revenue required by the Railways.

There were submissions that if increased rates were authorized there should be varying percentages of increase, the lowest percentage of increase being made on long hauls and the highest percentage of increase on short hauls; It was also suggested that maximum increases should be provided in order to avoid a very large increase upon relatively high rates from distant points of production to important

markets. One difficulty with respect to the adoption of a varying or maximum increases is apparent, namely, the lack of reliable traffic statistics from which to determine the additional revenue which would accrue from flat or maximum increases on particular commodities. Further, there is not on the record anything to enable any determination concerning the commodities and sections of the country and even the individual rates which could best bear the burden of an increase."

COMMISSIONER ANGUS: Were specific commodities before the Board at that time? Had there been requests related to specific commodities, or was there merely a general proposition under discussion?

A. Well, in the 21 per cent Case there were a few cases presented to the Commission where the shippers felt that in granting a horizontal increase it should be subject to some maximum increase. I know there was on iron and steel from the Algoma Steel Corporation at the Sault. I am not sure whether the lumber people on the coast suggested a maximum increase or not. They did not, no.

Q. But, the arguments, I gather, were general in character and went beyond the commodities specifically mentioned?

MR. CARSON: I would think so.

MR. EVANS: That is apparent from the Board's Judgment. I think the Board in its Judgment makes that quite clear. They set up a Table to say what the differentials in existence were and said these were competitive rate relationships.

COMMISSIONER ANGUS: Well, has that contrast between a general proposition and specific cases any counterpart in the American Decision?

MR. EVANS: I do not think there is. I think the propositions on which these applied were pretty well established in the United States, and I cannot recall having ever read any case in which the competitive relationship is established or sought to be established merely because of a differential in rate due to distance. I think there are always these market competition factors plus the railways themselves trying to keep their traffic.

(Page 15350 follows)

MR. CARSON: The next paragraph Mr. Jefferson is going to read throws a little light on what was before the.. Board, the general proposition.

COMMISSIONER ANGUS: Perhaps I might give the purpose of my question. As I understand it this Commission have been asked to make some recommendation with regard to these limits to increases in general related to the large number of items which are not specified, and the American decisions appear to relate entirely to specific items that have been argued each on its own merits.

MR. CARSON: Yes. This Commission will remember that in P.C. 1487 the Board itself was asked to study this question, and that was referred to again in the later order in council in the review, P.C. 4678. I should like, if the Commission will permit, to have Mr. Jefferson read this next paragraph so as to complete the way the matter was dealt with in the 21 per cent case.

MR. FRAWLEY: I suppose I should say when one looks at order in council P.C.1487 one does not find any specific direction to study the matter of horizontal increases. It is a general direction that they should examine the rate structure with a view to the establishment of a fair and reasonable rate structure which will, under substantially similar circumstances and conditions, be equal in its application to all persons and localities so as to permit the freest possible interchange of commodities between the various provinces and territories of Canada. Then the Privy Council in its judgment on our appeal from the 21 per cent judgment -- that is P.C. 4678 -- did say this:

"The committee observe that one of the representations made by the petitioning governments

is that a horizontal or flat percentage increase of 21 per cent in all freight rates disregards and accentuates existing disparities in the freight rate structure" --

and one may repeat that the committee observes --

"that this had already been the subject of a direction to the Board as set out in order in council P.C. 1487 of April 8th, 1948" --

which I have just read --

"in which the Board was directed to make a thorough investigation of the rates structure."

Then they simply continua with the same words as are used in P.C. 1487.

THE CHAIRMAN: That is with a view to the establishment of a fair and reasonable rate structure.

MR. FRAWLEY: Which will give substantially similar circumstances and conditions, and so on. I am only saying there is no specific direction to the Board to examine this matter of horizontal percentage increases.

THE CHAIRMAN: There is certainly nothing preventing it, and there is a rather strong intimation they would have to.

MR. FRAWLEY: Oh, I would go that far. I am simply saying there is no specific direction, and in our submission this Commission is perfectly free and authorized to examine into the matter and to make recommendations.

MR. CARSON: It is quite apparent from the paragraph Mr. Frawley read from P. C. 4678 when it is construed that this is the meaning, the complaint of the petitioning governments with respect to horizontal and flat percentage increases, and this has already been the subject of a direction to the Board.

THE CHAIRMAN: There seems to be that. The

Board must bring about a rate structure which will be equal in its application to all provinces and localities, and I think there is enough said there about horizontal rates to imply that if this horizontal increase practice interferes with that equality it is to be modified. Is that not right?

MR. CARSON: Yes. Then there is something else that throws light on it in the recent judgment.

THE CHAIRMAN: That is, they have made complaints about the horizontal system or method of increases, and the government says, "All right; we will ask the Board to produce a structure which will be equal to all localities and all persons", and so on.

MR. CARSON: Investigate the complaint.

THE CHAIRMAN: So impliedly if you consider these horizontal increases militate against that fairness and equality then you should go to the Board and show it.

MR. CARSON: Further light is thrown on this very same subject by the September judgment of the majority. As your lordship will see on page 11 -- that is the 8 per cent interim increase -- it says this under the caption, "Horizontal Increases".

"As in the hearings prior to the decision in the 21 per cent case so in the hearing of this application, the respondents have vigorously contended against the principle of horizontal increases. At this time the Board" --
that is last September --

"is not in a position to give a final determination in respect to this contention because this matter is already the subject of a direction to this Board set out in order in council P.C. 1487 of April 7, 1948, in which order in

council the Board was directed to make a thorough investigation of the rates structure" -- and then it goes on to describe that order in council. Evidently the Board is interpreting P.C.1487 as requiring it to do that very thing.

THE CHAIRMAN: Yes. In any case the Board to-day has full power to decide whether increases shall be horizontal or otherwise, and nothing in this order in council interferes with that discretion.

MR. CARSON: No. Indeed in the brief of the Maritime Board of Trade at page 75 they say:

"The powers of the Board of Transport Commissioners to prescribe exceptional measures to proposed horizontal percentage increases are practically identical to those of the Interstate Commerce Commission."

Those powers are recognized. I do not think anyone can challenge the question of power.

THE CHAIRMAN: We shall find out later on, of course, when the time comes to argue how far those who are opposed to the horizontal increases desire legislation to go concerning that. Mr. Frawley, for instance.

MR. CARSON: Yes. One would rather hope that we might get these proposed amendments a bit in advance of the argument so that we could see what they are proposing. Perhaps Mr. Frawley will give his attention to that.

THE CHAIRMAN: It would be desirable.

MR. CARSON: I was trying to get Mr. Jefferson to read the third paragraph on that page.

THE CHAIRMAN: The third paragraph on what page?

MR. CARSON: On page 65, so that he would complete the 21 per cent judgment. It is very short.

THE WITNESS: "While there are a number of individual cases where discrimination in rates is alleged to exist and it may be that some of these require special and separate consideration, on another occasion. But they do not seem to be so outstanding as to require separate treatment in a case of this nature."

MR. CARSON: Q. Then reference is made to the mountain differential?

A. Yes, sir.

Q. Now, I take it that paragraph does not rule out the principle of exceptions where they are justified by complaints of the shippers?

A. No, sir. We have had cases during the years where there has been a flat increase of a percentage increase with a maximum in Canada, but not for the same reason as in the United States.

THE CHAIRMAN: Q. Are you referring now to actions taken by the Board or by the railways themselves?

A. Action taken by the Board, but the principal objection to horizontal increases in the 21 per cent hearings was from the provinces, and they were largely of a general character.

Q. You say of a general character?

A. Yes, sir, objecting to the principle, not specific.

MR. CARSON: But with many illustrations given.

THE CHAIRMAN: Q. That is, they did not have reference to particular items?

A. No, sir.

MR. FRAWLEY: That is hardly correct.

MR. CARSON: I said there were many illustrations.

MR. FRAWLEY: We referred to the basic commodities and we referred to the long hauls. We did not leave

it entirely to a matter of generality, that there was something wrong with the principle. We instanced cases where we thought the principle should not apply.

MR. CARSON: You as a province, but no particular shipper lodged any complaint.

MR. FRAWLEY: That may be.

MR. CARSON: A little louder; I should like to get that on the record.

MR. FRAWLEY: Well now, Mr. Carson, let me settle it. Fortunately it is all written down. Every word we said, each of us, in the 21 per cent case is all written down. Perhaps we should gather them all and file them as exhibits and then we would not need to whisper at all.

MR. CARSON: Q. Now then, Mr. Jefferson, would you please read the first three complete paragraphs at page 57, continuing from where you stopped a little while ago?

A. "One can readily see that flat percentage increases applied to rates in circumstances in which a general increase in wholesale prices did not also take place might produce disturbances in relationships. However, in view of the general increase in wholesale prices, the allegations made to your Commission and to the Board of Transport Commissioners are in present circumstances unsound because they do not take such price increases into account.

"In following the argument it should be remembered that the rise in the general price level has been the moving factor in compelling rate increases, certainly since 1946 and practically since 1914.

"The argument proceeds, therefore, from a

'normal' situation in which rates are in balance with other prices and with the needs of the railways. This situation is disturbed by changes originating in prices and not in railway charges. In order to see this force clearly, it is assumed that the efficiency of the railway industry keeps in step with that of the community as a whole."

Q. Now then, the brief gives certain tables at the bottom of page 57 and over on page 58. Have you any comment to make on those tables, Mr. Jefferson?

A. Yes, sir. Following the tables on pages 57 and 58 I should like to say that the manufacturer who produces far from the market is no worse under example E than under example A.

Q. Yes?

A. Under the intermediate examples, B, C and D, the manufacturer who produces far from the market is better off than he was under example A. If the manufacturer who produces far from the market can do so under example A, he can continue to do so under example E and does not need his position bettered as would be obtained under examples B, C and D were a different system of increases applied.

Q. What is your opinion as to the effect of horizontal percentage increases on rate relationships?

A. It is my view that the only proper way to maintain competitive rate relationships is by horizontal or flat percentage increases. I say this because a manufacturer who, because of his location, must absorb 4 cents in freight rates on an article selling in the common market at \$1 should be able to absorb at least 6¢ if the price of his article goes up to \$1.50.

Q. Yes?

A. In the case of a maximum increase, the limitation on the amount of increase gives the more distant producer an actual advantage, always assuming the price of his commodity has increased by more than the increase in freight rates.

It has sometimes been put that any increase, other than a percentage increase, deprives a producing area closer to the market of the benefit of its geographic location.

COMMISSIONER INNIS: Q. Does this assume that the market is always the same, no matter what the price?

A. Do these tables, you mean?

Q. Yes. Suppose you double the price?

A. Yes, sir.

Q. Would you assume that the same amount of commodities would be disposed of at that price as at a half price?

A. At a higher price?

Q. Yes.

A. Yes.

Q. Do you think that is a reasonable assumption?

A. I do not know that the volume would be reduced. There would be just the same amount of goods consumed.

Q. But if you still have double the price; there is generally an assumption that the volume would fall off.

A. Not unless there is something else substituted for it. However, if the price of the substituted commodity goes up as well; then there is no difference.

Q. Yes, but it puts the thing too sharply. There would be very few cases in which a doubling of the price would not mean, at least in some cases, a

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very sharp falling off of the demand, and, on the other hand, in some cases very little.

COMMISSIONER ANGUS: Assuming that all the prices have doubled?

COMMISSIONER INNIS: Q. Can you assume that?

A. I think that is what happens.

Q. In your analysis of prices on page 57, have you made any attempt to differentiate between prices in Eastern Canada, prices in Western Canada, prices in Central Canada, and prices in the Maritimes? Do you think there is any difference in the changes in price levels in those regions?

A. No, sir. I think that prices all over the country have gone up pretty much in like manner.

Q. But you have not made any study of them?

A. No, sir.

COMMISSIONER ANGUS: Q. You do make an admission that if circumstances were such that a general increase in wholesale prices did not take place, then there might be disturbances?

A. Yes, sir, that is quite right.

MR. CARSON: Q. I notice that on pages 61 and 62 of this Part II of the submission reference is made to the objection of the Saskatchewan coal operators to the application of a flat increase in cents per ton instead of a percentage increase. Have you any comment to make on that?

A. Yes, sir. This complaint of the Saskatchewan coal operators, and also the complaint of the Province of New Brunswick, reflecting the views of the coal industry there, point up the very objection I have in mind to the substituting by increases in cents per hundred pounds or per ton for percentage increases.

It will be recalled that when the

Saskatchewan coal operators were giving evidence before this Commission at Regina, the submission made by Mr. Lord at page 832 states that the flat increase of 25 cents per ton in the freight rates on coal recently granted not only disregards, but absolutely violates the principle that any producing or trading centre was entitled to the advantage of its geographical location and its proximity to markets.

Q. Is there anything further you want to say on this subject?

A. It is my view that when increasing freight rates to meet revenue needs or requirements of the railways, the only fair way of applying such increase is to treat all localities and commodities alike.

To do otherwise would mean that the burden of the increase would be unfairly distributed.

If exceptions or limitations are applied, which naturally are always less than the general increase granted, it simply means that the rates on commodities other than those on which no exceptions or limitations are prescribed, must make up the deficiency to enable the railways to obtain the necessary increase in revenue.

If exceptions to general increases are made on one or more commodities, it only leads to demand for similar treatment of other commodities. And the commodities on which exceptions have been granted are, by reason thereof, paying a larger share of the transportation burden.

COMMISSIONER INNIS: Have you any complaint from shippers in Central Canada? Most of the illustrations seem to come from Saskatchewan, or British Columbia, or perhaps the Maritimes?

A. The only one I know of in Central Canada was that of the Algoma Steel Corporation, which I mentioned.

Q. That again would be closely related to the Maritime situation, because the Dominion Iron and Steel would be as vigorous in their position, if not more so, than Algoma?

A. That is right. And the Dominion Iron and Steel and Coal Corporation did file a submission before this Commission; yes, sir.

Q. I wonder how that indicates that perhaps the problem is not serious for the central provinces, and it does have an element of seriousness for provinces or regions in which the longer haul is particularly serious?

A. From a producing point of view, the Ontario and Quebec industries would not be affected in the same way as industries elsewhere, if the market for the goods was in Ontario and Quebec.

On the other hand, if the producer of the goods in provinces outside of Ontario and Quebec could market his products in Ontario and Quebec before the increase -- and as we have said, if the prices have increased by the same percentage, or more than by the freight rates, then the producer outside of Ontario and Quebec could certainly reach Ontario and Quebec markets, or, at least, we think he can.

Q. I would be suspicious from a study of the price structure, let us say in the Maritimes and in British Columbia and in the Prairie regions, that it would be considerably different from that in Central Canada, where such a great number of commodities are involved, and where manufactured products are very much more important, and the difference in the tariff would

be much more important.

A. Are you speaking from the point of view of the producer or the consumer?

Q. From both. I am speaking of the problem of the economy as a whole. I think what you say is perfectly proper, but it is a hypothetical case. It does not break it down into a consideration of the actual changes in prices, or the actual structure of prices as between the different regions.

A. I have not personally made a study of the prices.

Q. I am sorry.

A. Yes, sir.

COMMISSIONER ANGUS: Q. There is something else which comes into this which is very much allied to what Dr. Innis has just said.

In the evidence before us, a great many people seem to think that the price we are getting today may fall very sharply, that we are in an exposed position, and that the prices are not long term prices. They are afraid of the rates becoming fixed in relation to the prices of today, which would become unfair rates in relation, let us say, to prices of tomorrow.

Would these proposals allow for any modification to meet that type of situation? Suppose there is a fall in prices?

A. I would think that in the main, as freight rates have gone up such a small amount percentagewise, there could be a considerable drop in commodity prices, without affecting the freight rates.

MR. EVANS: Might I suggest that perhaps the thing is this: that if railway rates could have been put up more promptly, and more closely related to the increases in price, you would have had a very different

situation in that respect.

We are so slow in getting our rates up, they fear that we have passed the crest, and that there may be something in the future which will prevent them. That may be one of the difficulties of the regulatory process we are under.

We have always pointed out to them that when prices do drop and reflect themselves, the Board always acts on its own initiative, to see if we are earning more money than we should earn.

COMMISSIONER ANGUS: That raises a very interesting question which is: Does the speed with which these changes in the rate level occur correspond to changes in the market situation?

MR. EVANS: Yes.

COMMISSIONER ANGUS: In the course of these proceedings, there has been a recommendation which would lead to the expediting of proceedings before the Board, so that many questions which take up a good deal of time in arguing could be more promptly disposed of.

MR. EVANS: I am afraid that any view I might express to you on that might be taken to be partisan.

COMMISSIONER ANGUS: I was not arguing so much by way of forecasting, as I was expressing concern as to the nature of the evidence on the question of speeding up.

MR. EVANS: I know of none. I think there ought to be some means, but I think it is probably an administrative problem for the Board.

If the Board narrows the issues down a bit and steps up the procedure, I think a good deal could

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be done.

We hope they will settle the principle, when our friends have exhausted their challenges in other places, and we will have an accepted basis of treatment.

COMMISSIONER INNIS: Do you think that this problem of maxima would disappear, if the Board could deal with cases more expeditiously?

MR. EVANS: The problem of maxima is not one of really serious importance.

COMMISSIONER INNIS: I thought you said it was linked up with this delay.

MR. EVANS: I thought Dr. Angus thought this problem was: that the public feared that because prices were now high they might drop; and I said that perhaps this fear was engendered by the fear that the railway rates would drop more slowly than the prices.

COMMISSIONER INNIS: You would not care to speak about maxima?

MR. EVANS: I have very definite views on it.

COMMISSIONER INNIS: Would you go as far as the American railroads seem to have gone, in actually taking the initiative?

MR. EVANS: Is not the answer to this that: in the first place, be it rightly or wrongly, we are of the view that under the circumstances in which we now are, this bugbear of horizontal increases is, perhaps, overdone?

That is our view. And if the railway take the initiative, I suppose it must make a selection of industries where it thinks the initiative should be taken; and it does seem to me that the idea of taking the initiative arises from the complaints before the Interstate Commerce Commission which, on their face,

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gave evidence of having some basis; and with the greater practice they have had down there, I would expect that the shippers, in presenting their objections to percentage increases based on past relationships, would have had something in the past to which they could point, and would then suggest to the railways that they must look at them.

But where you have a completely blanket challenge of horizontal percentage increases with, so-called, undefined long haul, and you have a claim that the rate relationship is established merely because two rates differ in cents per hundred pounds and cause a disadvantage, then for the railways to be asked to take the initiative in those circumstances, I submit, is to ask them to do the impossible.

I do not think any railway, no matter how well disposed, could be diplomatic enough to approach the right industries first without bringing down a deluge from all the other industries.

For every person who claims a percentage on account of his longer haul, you will find another one or more who will come in and complain because of any such percentage increase, because the man closer to the market is going to come in and say that you, by applying maxima, have taken away his geographical advantage.

The only two cases where, in our decisions, there have been flat increases, have been challenged on exactly that ground; the Saskatchewan coal operators and the New Brunswick coal operators, who are competing with Nova Scotia.

You cannot overlook the fact that once you make a move of general application in one direction, you then call in another group, now silent, who will have directly

contrary views on the other question.

MR. FRAWLEY: There will be an opportunity of discussing this matter more fully. But my friend has forgotten entirely in dealing with this matter of horizontal percentage increases the person who pays the freight bill, namely, the consumer.

The Canadian Pacific Railway establishes a case to the Railway Board that it needs so many million dollars. Let us reduce it to one dollar.

Now, is it right or fair that I, since I live in Edmonton, must contribute two and one-half times to that need more than a man who lives in Toronto?

I have to bring my canned goods from, let us say, Aylmer, Ontario, a distance of 2,000 miles; but the man who lives in Belleville, let us say, only has to bring them 200 miles. That means that I must put my hand in my pocket two or three times more than the man in Belleville. We are asking for relief from the burden of the freight rates.

THE CHAIRMAN: Are you going so far as to ask for a pooling?

MR. FRAWLEY: No. I do not say that.

THE CHAIRMAN: You would expect to pay more?

MR. FRAWLEY: We would expect to pay more, but we are now paying -- it is up to an astronomical amount -- what we have to pay for 100 pounds of canned goods to get them to Edmonton.

They may need more money. It doesn't matter where it comes from, but I submit it is disproportionate for the people who have to pay it. Take this man who now pays \$2.60 to move 100 pounds of canned goods to Edmonton, while it only costs 40 cents to move them to Belleville. The man in Edmonton has to contribute on

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THE CHAIRMAN: Are ...

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MR. CHAIRMAN: No ...

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a percentage of his \$2.60. It is a vicious and wicked thing essentially.

I think that is an element which has been totally disregarded, because they have all the shippers' relationships, the producers' relationships, and the manufacturers' relationships. I am thinking of where it ultimately all comes from, namely, the consumers' pocket. I say it is wrong to ask the consumer in Alberta to contribute three or four times as compared to what the consumer in Ontario contributes.

MR. EVANS: Mr. Frawley puts horizontal increases on the consumer. He is unfortunate in his selection of canned goods, because they produce canned goods in Western Canada, and particularly in Mr. Frawley's province.

MR. BARRY: Oh, it is the principle which is involved.

(Page 15377 follows)

THE CHAIRMAN: But in all these cases, very numerous cases, before the Interstate Commerce Commission, have consumers ever appeared and been heard and consideration given to their views?

MR. FRAWLEY:: The Secretary of Agriculture - -

THE CHAIRMAN: I beg your pardon?

MR. FRAWLEY: The Secretary of Agriculture appears there, and it seems to me, just from deduction, that he is there - -

THE CHAIRMAN: No, I am talking of consumers.

MR. FRAWLEY: Yes, but I was just saying that so far as I know the Secretary of Agriculture represents the people of the United States, as it were.

THE CHAIRMAN: I don't know. He represents the agricultural interests who are producers.

MR. FRAWLEY: One would have to analyze these cases. There is a vast number of people appearing. There are five or six bodies - -

THE CHAIRMAN: We have had quite a number of them come to us here, and it is always a case of railways and industrial producers.

MR. FRAWLEY: Yes, shippers.

THE CHAIRMAN: Or agricultural producers. Nobody ever submitted to us a case where the consumers appeared before the Commission and asked for something to be done or something not to be done. At least I don't remember any such case.

MR. FRAWLEY: I have heard nothing from Mr. Jefferson in justifying the horizontal percentage increase, that it is too bad for the consumer?

MR. COVERT: My lord, I was going to suggest that the position of the consumer might be a great deal different in different localities. I suppose that is perhaps one of the reasons that they are not represented as a class.

MR. FRAWLEY: That is one of the reasons why Ontario and Quebec are not before this Commission or before the Transport Board.

THE CHAIRMAN: There we have the satisfied consumer.

MR. FRAWLEY: There they are the satisfied consumer. We are certainly the dissatisfied consumer.

MR. EVANS: I don't want it to be said - -

THE CHAIRMAN: With the vast range of questions in the United States I thought that possibly there would be some guidance there to be found for us. It may not be though. Mr. Frawley now says he is representing the consumers in his province. I would like to know if there is any precedent for consumers' cases being considered and disposed of.

MR. EVANS: This is the first time I have had the idea that the case against the horizontal increase is put from the consumers standpoint and not from the producer's standpoint. I merely wanted to ask my friend, Mr. Frawley, if that is the way he is putting his case, because it seems to me to be quite a different matter in approaching the question of horizontal increase from the standpoint of consumers, because there you have got market relationships involved.

The principle on which they apply that in the States is market competition of producers and railways competing for the traffic from different areas to a common market. Now then, any question there involves the consumer position as regards a horizontal increase, and if that is my friend's point I just wanted to know it; but I don't want this Commission to take from that that I have no regard for the consumer's interests in the increasing of rates. That is a very different matter, but the method of increasing rates does not seem to me to involve this question of consumers if you are talking of horizontal increases.

MR. FRAWLEY: Of course it does. It makes me pay three times.

MR. SMITH: If I might suggest, the Price Stabilizer in the United States appeared in nearly all these hearings.

THE CHAIRMAN: The Price what?

MR. BARRY: The Office of Price Administration.

THE CHAIRMAN: Price Stabilization?

MR. BARRY: The O.P.A., Office of Price Administration appeared in the I.C.C. cases.

THE CHAIRMAN: Do they appear in these cases?

MR. SMITH: Yes.

THE CHAIRMAN: What happens? Can you give me a case in which they did appear and said something?

MR. SMITH: He did.

THE CHAIRMAN: Well, if we could get an instance, Mr. Carson, where this price committee, or

whatever it is, appeared and said something, had its representations considered, it would help.

MR. FRAWLEY: You see, we have to study these cases from some distance. The Canadian Pacific Railway are in these cases before the I.C.C., so they should be able to tell the Commission all about who appears and what interest they represent, because they operate American lines.

THE CHAIRMAN: Perhaps if we adjourn for a few minutes.

- - - SHORT RECESS

- - - ON RESUMING:-

MR. FRAWLEY: Mr. Chairman, Mr. Evans has indicated an interest in whether I am opposed to the horizontal percentage increase on behalf of the consumers of Alberta or on behalf of the shippers and producers and processors of Alberta. I may say at once that I am opposed to the horizontal percentage increase both on behalf of the consumer for the reasons which I have just enunciated and which I will not repeat, and on behalf of the producers. I will give you just one brief example of that, and that is all I want to say.

There are canning factories in the southern part of Alberta at Taber, Magrath and Lethbridge. They are now shipping or trying to ship to the Pacific coast, to Vancouver. The figures that existed at one time (and I can use these figures although now they have become greater) were, canned goods from Ontario to Vancouver, .96¢; canned goods from Magrath, Alberta,

to Vancouver, I think, are \$1.16 or somewhere between that and \$1.20. That was the situation. Nevertheless the Alberta canner was trying to get into the Vancouver market against that kind of competition, and to what extent he really succeeded and what his volume was I am not prepared to say. There is some financial need established and there is an increase. The man in Ontario pays 96¢ plus 21 percent. The man in Magrath pays \$1.16 or \$1.18 plus 21 percent. I say if he was finding it difficult to compete against Ontario then, well, the greater increase that he would have to pay because of the application of the horizontal percentage increase would just about put him out of the market, completely and successfully. So I am in an equivocal position, in that I represent the consumers because they pay freight, and I represent those producers who find it difficult to maintain market relationships. So that is the situation.

MR. EVANS: May I ask Mr. Frawley, whether he thinks that the flat maximum on the percentage increase on the eastern producers' rate to the Pacific coast would help them?

THE CHAIRMAN: Do you think it would, Mr. Frawley?

MR. FRAWLEY: Yes, I think that as far as I am concerned ^{if} I have to buy a large portion of my canned goods in Ontario, then I say - -

MR. EVANS: On behalf of the producers.

MR. FRAWLEY: That the high rate I pay, that is, the consumer should not be subject to flat horizontal

percentage increases. As a receiver of canned goods I am a consumer; as a producer of canned goods I am concerned with getting markets and maintaining certain tenuous market differentials which are badly distorted by the horizontal percentage increase. That is my position.

MR. EVANS: He has not answered my question. My question was, would his canning industry in Alberta competing with the canning industry in eastern Canada to the Pacific coast be helped if instead of a percentage increase being applied to the long haul, a maximum of cents per hundred pounds was applied. Can he answer that?

MR. FRAWLEY: The producer of canned goods in southern Alberta shipping to the coast now has a heavy differential against him. If a flat maximum increase were applied on the shipment to Vancouver now (we are away from Alberta) to Vancouver, that would probably assist the man in Taber trying to get out to Vancouver.

(Page 15385 follows)

THE CHAIRMAN: But has anybody found what I have been looking for, any instances in the United States or perhaps even in Canada where the consumers as such have appeared before the proper regulatory board and said: "We want such and such done" or "We don't want such and such done"?

MR. FRAWLEY: Well, as I was saying, when the Commission rose for the recess, that is something that would come out of the written reports or could come from a question before their group and I think that could be done.

THE CHAIRMAN: You do not know of any case?

MR. FRAWLEY: At the moment, I am not able to say, sir.

MR. SMITH: I have not seen any specific case but I have seen it mentioned that some representative of a consumer group, of a large number of individuals appeared in certain cases.

MR. EVANS: Oh, they do; consumers unquestionably appear but not on this question of horizontal increases as far as I know.

THE CHAIRMAN: Well, you say "consumers unquestionably appear". They must appear to get some freight rates lowered in some way?

MR. EVANS: I have no doubt, sir, that some consumer organizations or groups have opposed increases.

THE CHAIRMAN: Well, if you could find any cases where they have appeared - -

MR. EVANS: Well, I understood your lordship wanted cases --

THE CHAIRMAN: In order to understand what the machinery was.

MR. EVANS: I thought your lordship was interested in cases where consumer groups had appeared to object to horizontal increases?

THE CHAIRMAN: Not only that, but if they appeared at all, and were heard as a consumer.

COMMISSIONER ANGUS: I think the suggestion is that if they have appeared in some cases, it might be significant if they have not appeared in the horizontal increase cases.

MR. EVANS: I would be glad to look at the cases.

THE CHAIRMAN: You say you know some cases?

MR. EVANS: I do not know them, but I have no doubt that there are lots of cases where consumer groups have appeared but I do not know of any where they have appeared on this question of horizontal increase.

THE CHAIRMAN: Well, even so, even if they have appeared on some other cases, I would like to know if you can find the cases without too much trouble.

I think this might also be the time for me to raise another point that occurred to me this morning. It is this. As I understand our present railway legislation, the requirement of equality applies along the same line, that is to say, we have, for instance, the Canadian Pacific Railway going to Calgary. We have a habit of locating all these things in Alberta.

MR. FRAWLEY: That is the way it should be, sir.

THE CHAIRMAN: If the railways lower a rate, say, in favour of some locality bringing their goods into the Calgary market, that action might be set aside if it discriminates against the shippers of another

locality on that same line. That is the Canadian rule, isn't it?

MR. EVANS: Yes.

THE CHAIRMAN: But if the favour granted by the Canadian Pacific militates against a locality on the Canadian National, well then, that is no ground for interference. Isn't that right?

THE WITNESS: That is right.

THE CHAIRMAN: If I understood, Mr. Matheson's proposition, I think, was this, that in order to allow the Intercolonial Railway to grant lower rates to certain localities, he would disassociate it from the rest of that system so that any lower rates granted to compete not with its own line but with other lines, should, therefore, be valid. That is right, isn't it?

MR. EVANS: Yes.

THE CHAIRMAN: I gather from the Decisions we have heard this morning that in the United States the jurisdiction is different. For instance, in that Pittsburg Case, the low rates which the railways themselves on their own motion wished to institute in favour of the Pittsburgh industry into the northern markets were set aside because ^{they} / competed with other localities on other lines of railway. Isn't that so -- on other lines of railway?

MR. EVANS: I cannot say exactly because I do not know this case.

THE CHAIRMAN: That is how the case seemed to be explained to me.

MR. EVANS: I do not think that is what Mr. Jefferson said.

THE CHAIRMAN: The case is there. What is the case, Mr. Jefferson?

You see, if I understood the case right, it would appear that the Commission in the United States has a much wider scope and power in industrial questions, for instance, economic questions, than has our Board here at the present time. If it is so, that they could set aside a rate on one line of railway because it gives an industry located on that line an advantage over a similar industry on another line, both looking for the same market, well, that is a power which apparently our Board has not got.

MR. EVANS: I would say that in the circumstances to which Mr. Jefferson referred, this Board would have the same power because the point was this. It was not a discrimination question; it was a question as to whether a railway by putting this low maximum on steel, were not in effect showing unreasonable treatment, that they thought it was unreasonable to put this low maximum on because it was giving an advantage to the more distant producer as compared to the one in Eastern Pennsylvania.

THE CHAIRMAN: On another line of railway?

MR. EVANS: Well, the Pennsylvania Railroad would serve both, I should think.

THE CHAIRMAN: Was it not a matter between different railways?

THE WITNESS: Well, I mentioned this morning the New York Central and the Pennsylvania.

THE CHAIRMAN: Well, perhaps we had better go into it again. I am raising the point now because it might show more jurisdiction existing in the Interstate Commerce Commission than exists here under our Act. Perhaps later on we can have that.

MR. EVANS: I think that could be only be based upon reasonableness and not discrimination.

THE WITNESS: That is my point, yes, sir.

THE CHAIRMAN: Well, then, I would like Counsel to bear in mind what I have just said about American cases to clear up the point as to whether there is a difference in procedure in that respect between applications in Canada and those made in the United States.

MR. EVANS: I would like to offer my opinion for what it is worth right now. In the circumstances within which I understood the case to be put, our Board could have done exactly the same thing.

MR. CARSON: Now, Mr. Jefferson, I was going to turn to another subject -- the equalization of rates, which is dealt with in Part II of the Canadian Pacific Submission, Pages 64 to 82. Before turning to those Pages in any detail would you care to make some general comment on this subject?

A. It has been stated at the regional hearings and in the provincial briefs about the disparity in rates between Eastern and Western Canada, and there is no question but that this disparity has been greatly exaggerated. This is not by any means a new subject; equalization of the East-West rates has been dealt with in most of the major rate cases before the Board of Transport Commissioners for many years. It was dealt with extensively in the Western Rates Case in 1914. In fact, complaints made by the Winnipeg and Vancouver Boards of Trade alleging that excessive and discriminatory freight rates were being charged between points in Western Canada as compared with the rates in Eastern Canada brought about the Western Rates Case Inquiry.

The Board, in its Judgment in the Western Rates Case in 1914, found that while discrimination existed between east and west of Port Arthur, on the whole

it was not undue or unjust discrimination and that the lower basis in effect in the East was justified upon the basis of the water and rail competition.

Q. Now, what has been done since that time, Mr. Jefferson, to bring about more of a parity as between the East and the West?

A. The Western rates were reduced as a result of the Western Rates Cases in 1914. Increases were made in Eastern rates as a result of the Eastern Rates Case in 1916. In the 15 per cent Case in 1917, the rates in the Pacific territory were increased 10 per cent, whereas rates in Prairie territory and Eastern Canada were increased 15 per cent.

Q. Were they dealt with in the next case?

A. In the 25 per cent Case in 1918, the rates in Eastern Canada were increased 25 per cent, whereas in Western Canada, the 25 per cent increase was applied generally to the rates in effect prior to the 15 per cent increase; in other words, the 15 per cent increase was with few exceptions eliminated in the West.

In the 40 per cent Case in 1920, rates in Eastern Canada were increased 40 per cent whereas rates in Western Canada were increased 35 per cent. The British Columbia Mountain Differential was eliminated on July 1st, 1949. In the 21 per cent Case in April, 1948, and the 8 per cent case in October, 1949, no increase was made in the rates on grain and grain products moving within Western Canada, whereas the rates on movements within Eastern Canada were increased by 21 and 8 per cent respectively.

Q. I think you have a Table and a Graph that you want to present to the Commission on this subject?

A. Yes, sir.

Q. It should be marked -- first I think the Table should be marked. That will be Exhibit 171.

EXHIBIT NO. 171: Filed by Mr. : Table Showing Increases
Carson : and Reductions in Freight
: Rates in Ontario-Quebec
: Compared with Prairie
: Territory and Pacific
: Territory, September 1st,
: 1914 to November 1, 1949.

Q. (Con.) And the Graph will be Exhibit 172?

A. Yes, sir.

EXHIBIT NO. 172: Filed by Mr. : Graph Showing Increases
Carson : and Reductions in Freight
: Rates in Ontario-Quebec
: Compared with Prairie
: Territory and Pacific
: Territory, September 1,
: 1914 to November 1, 1949.

Q. Exhibit 171 is a Table entitled "Increases and Reductions in Freight Rates in Ontario-Quebec compared with Paririe territory and Pacific territory, September 1, 1914 to November 1, 1949" and Exhibit 172 is a Graph entitled: " Increases and Reductions in Freight Rates in Ontario-Quebec Compared with Prairie Territory and Pacific Territory, September 1, 1914 to November 1, 1949". I think the Graph carries out in graphic form what is shown in the Table?

A. Yes, sir.

Q. Do you want to explain the Table first, Mr. Jefferson?

A. Yes, sir. The Table shown in Exhibit 171 uses a rate effective as of September 1, 1941 of \$1.00 or, you might call it, an index of 100, in Ontario and Quebec, in Prairie Territory and Pacific Territory.

In Ontario and Quebec the manner in which the index has been increased from September 1, 1914 to October 11, 1949 is shown and the total increases from September 1, 1914 amount to \$1.47 or 147 per cent.

Q. That is, the Ontario and Quebec rate in September 1914 of \$1.00 would now be \$2.47 -- increased by \$1.47?

A. Yes, sir. Now, in the Prairie Territory the rate of \$1.00 on September 1, 1914, by October 11, 1949, would be \$1.97, or an increase of 97 cents or 97 per cent. On the Pacific Territory the rate of \$1.00 in September, 1914 became \$1.51, on October 11, 1949, or an increase during the period of 51 cents or 51 per cent and the authority for all of the increases or reductions which occurred during the period from September 1914 to October, 1949, is shown in the right hand column.

Q. Now, is there anything in particular you want to say about the Graph, or does it speak pretty well for itself?

A. The Graph speaks for itself as it merely portrays the information contained in Exhibit 171.

Q. Now, you have explained to the Commission by reference to these Decisions and to your Exhibits 171 and 172, the manner in which the alleged disparity in the East-West class rates has been reduced since 1914. What is your opinion as to any alleged disparity in the commodity mileage rates in Western Canada as compared with Eastern Canada at the present time?

A. There are a number of commodity mileage scales in Western Canada that are lower than in Eastern Canada, which moves a substantial amount of tonnage, for instance, sand, gravel, crushed stone, building bricks, drain tiles,

pulpwood and certain other commodities. There are other commodity mileage scales in Western Canada that are higher than in Eastern Canada. The rates on grain and grain products for movement within Western Canada are now somewhat lower than those in Eastern Canada due to the 21 per cent and 8 per cent increase not having been applied in the East, while they were applied in the East.

Q. Now, do you see any objection to the equalization of rates as between the East and the West?

A. No, sir, provided that in the equalization the revenue position of the carriers is preserved.

Q. Now, what have you been doing about equalization?

A. We have been working up a pattern for equalized class rates and commodity mileage scales throughout Canada for consideration before the Board of Transport Commissioners in the forthcoming general freight rates investigation.

Q. Are you in a position to go into your proposed equalization pattern in detail?

A. No, sir, but perhaps I should read from the first paragraph on Page 68 to the bottom of Page 65 of Part II to make clear this Company's position.

MR. FRAWLEY: Do you mind if I interrupt to be clear? Mr. Jefferson said he had no objection to equalization of class rates and commodity mileage scales. That is what he says?

MR. CARSON: I asked him whether he had any objection to the equalization of rates as between the East and the West.

MR. FRAWLEY: And the answer was?

MR. CARSON: He said, no, provided the revenue position of the carriers was maintained.

MR. FRAWLEY: When you say "equalized" in answer to Mr. Carson's question, do you limit the

equalization? You have no objection to the equalization of class rates and commodity mileage scales?

A. That is right, and I may say something even further than that before I get through.

MR. CARSON: Now, you were going to commence reading at Page 68 of Part II?

A. "During the course of the hearings in the 21% case the railways pointed out that that case was primarily a revenue case and that they would welcome a general freight rates investigation into this and other questions relating to the rate structure after the conclusion of the hearings in the revenue case.

On April 7th, 1948, the governor in council issued order in council P.C. 1487, in which the Board was ordered to undertake such a general investigation.

In July of 1948, when the railways filed an application with the Board of Transport Commissioners for a further increase in rates, the railways indicated that during the course of the general investigation undertaken by the Board pursuant to order in council P. C. 1487 they would have proposals to make with a view to equalizing rates between eastern and western Canada so far as that could feasibly be done. This was intended to provide an assurance to parties interested in rate increase cases that the railways were not only not objecting to a general investigation into such matters but were preparing to make proposals to bring about some measure of equalization.

During the course of the hearings before your Commission and in many of the submissions made, the expressed intention of the railways to make proposals for equalization appears to have been ignored. In order to set at rest the complaints with respect to alleged disparity, which have been repeatedly made to your Commission, Canadian Pacific believes that while its studies in connection with its equalization proposals are not complete, some outline of the nature of these proposals might properly be given to your Commission. In this connection Canadian Pacific points out, as it has done at

several stages of the hearings, that the detail of the method as well as the extent to which it can be carried out must depend upon the study of data being obtained by the Board in connection with its waybill study. This data is not as yet fully available and the proposals accordingly cannot yet be crystallized.

With these qualifications, and having in mind the vital necessity of preserving the revenue of the railways, it can be said that the railways propose equalization of the standard class rates, the distributing class rates and the commodity mileage scales as between eastern and western Canada.

On the other hand the railways do not propose and do not believe it practicable or even desirable, to attempt equalization of special commodity rates or competitive rates. In the case of certain special commodity rates, some of the point to point rates are related to commodity mileage scales. Since these commodity mileage scales are to be equalized they will, to that extent, tend to make possible the equalization of point to point commodity rates which are related to them.

In approaching the question as to how far equalization can be carried out, Canadian Pacific draws to the attention of your Commission the following matters which provide difficulty:-

First, the Maritime Freight Rates Act will probably require amendment if the equalization proposals are to be carried out. This is because in the equalized class rate scales, both the standard class rates and distributing class rates will generally be somewhat higher than the eastern standard class and town tariff distributing rates. In the circumstances, therefore, equalization will generally speaking require some increase in these rates.

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Under the Maritime Freight Rates Act it is probable that no increase in the rates subject to that Act can take place unless as a result of an increase in the cost of operation of railways in Canada (see Section 3(2)(b) of the Maritime Freight Rates Act).

Secondly, in another part of the submission made by Canadian Pacific it is made clear that the so-called Crows Nest Pass grain rates within western Canada are not compensatory. No scheme of equalization would be true equalization as between eastern Canada and western Canada unless in some way it took into account all advantages as well as disadvantages in both areas. The fact that the Crows Nest grain rates have not been under the jurisdiction of the Board of Transport Commissioners but are fixed by statute at the level existing in 1899, makes it impossible without an amendment to The Railway Act to have these rates reach their proper level. In the result, therefore, the extent to which these rates are below what would be just and reasonable is a measure of disparity in favour of western Canada as against eastern Canada.

Equalization would not be true equalization unless the so-called Crows Nest Pass grain rates were allowed to find their proper level under the jurisdiction of the Board of Transport Commissioners.

Thirdly, there are two cases where the rate level is affected in western Canada by so-called "assumed mileages," that is to say, assumed mileages between Fort William and Winnipeg and between Vancouver and Glacier, B.C. No equalization scheme would be true equalization unless these assumed mileages were eliminated from the rate structure.

Subject to a solution of the foregoing problems,

the scheme of equalization would be as follows:-

As to the Standard Mileage Class Rates

The first step would be to average the first class rates in the Ontarip-Quebec and the Prairie-Pacific standard scales.

The second step is to establish the relationships between the classes. It is proposed that the following relationship shall be established:

First Class	100%
Second Class	85%
Third Class	70%
Fourth Class	55%
Fifth Class	45%
Sixth Class	40%
Seventh Class	35%
Eighth Class	35%
Ninth Class	40%
Tenth Class	30%

The third step is to work out the appropriate rate of taper due to distance. This will probably be done by applying to the equalized first class rate a minimum for distances of 40 miles and less and by adding amounts for each five-mile block up to and including 100 miles; for each ten-mile block up to and including 500 miles; and for each twenty-five-mile block up to and including 3000 miles.

After study it was not found practicable to take the average rate of taper of the existing Eastern and Western standard mileage scales. Neither is it deemed fair, as suggested by Alberta in its brief, to accept the rate of taper in Western territory as the rate of taper on the equalized scale. This is because the rate of taper on the Prairie standard scale is much sharper than in the Eastern standard scale.

As to the Distributing Class Rates.

It is proposed that the new equalized distributing scale would be arrived at by using, for distances 200 miles and less 90% of the new equalized first class standard rates, and for distances over 200 miles 85% of the first class standard rates, with the proviso that the rate for 200 miles shall be the minimum rate for distances in excess of 200 miles. The relationship between the classes and the rate of taper will accordingly follow the relationship and rate of taper in the equalized standard scale.

It should be noted at this point that the Superior standard class rates which are now higher than any scale in Canada will be abolished and the new equalized standard and distributing class rates made applicable to that area.

As to Class Rates between Eastern Canada and Western Canada.

Your Commission will recall that the class rates between eastern Canada and western Canada are a combination of two factors; that is to say, west of Fort William, the Fort William terminal rates apply, and east of Fort William the basing arbitraries apply. The terminal rates are the prairie standard mileage class rates reduced by the effect of the assumed mileage between Fort William and Winnipeg.

East of Fort William the basing arbitrary is blanketed throughout the territory Montreal and west to Fort William.

The equalization proposal will necessitate a revision of both these factors. The western factor will become the new equalized distributing class rates with the elimination of the assumed mileage. The eastern factor will be increased somewhat in order to compensate for the reduction in the class rate scales in the west as a result

of the equalization proposal. As the arbitrary east of Fort William has nothing in common with other rate scales either as a whole or as regards the individual classes, and as they apply from and to stations in eastern Canada over a wide area, it is not possible to measure the realignment of the arbitraries by comparison with the changes made in rates in eastern Canada.

After much study a tentative conclusion has been reached that these basing arbitraries can only be increased about one half of the extent to which the class rates for comparable distances in eastern Canada will be increased under the equalization proposal. This is on the assumption that since the basing arbitrary covers a wide area as a blanket, one half of the rate of increase would cover the same increase at the average point. Accordingly the basing arbitraries east of Fort William will probably be reconstructed by increasing the present Fifth Class basing rate by about 12 cents; by assuming the Fifth Class rate to be 45% of First Class; and by scaling the other classes on the same percentage relationship as the proposed new equalized class rates. Under such a proposal the intention would be that the basing arbitraries for the territory east of Montreal would continue to exceed the Toronto-Montreal basing rates by the same amounts as at present and that the current rail-lake-rail and water-rail differentials will be maintained for all territories.

This change in the east-west class rates will probably require the establishment of a new rate group which it is proposed to call the Northern Ontario rate group. This will include the territory on and south of the line of the Canadian National (National Trans-continental) east of Armstrong; all territory east of Port Arthur and north of Lake Superior, St. Mary's River, Lake Huron, and Georgian Bay; territory on and north of

the line of the Canadian National from South Parry to Scotia; territory on and west of the line of the Canadian National from Scotia to North Bay; and territory on and west of the line of the Ontario Northland from North Bay to New Liskeard and the Ontario-Quebec boundary to the line of the Canadian National (National Transcontinental).

As to the Commodity Mileage Scales.

The Board will recall that during the regional hearings comparisons were made by reference to exhibits filed in the 21% case which showed that in western Canada certain of the commodity mileage scales were lower than in Eastern Canada and that the reverse was true in a number of other instances. Exhibits 53 to 60 in the 21% case show these differences.

The problem of equalizing these scales since they involve a large volume of traffic, is to find not only a proper basis for equalization in itself but also one which will yield to the railways approximately the same revenue as is received under the present mileage scales while causing the least disturbance to shippers and consignees.

This is a work of some magnitude and complexity. It can only be completed when the information obtained from the waybill study now being undertaken by the Board, is made available. This study involves in itself a large amount of work on the part of the railway staffs and not all of the test days have as yet occurred.

MR. FRAWLEY:Q They have now, haven't they?

A. The test days have now all occurred, yes, sir, but the detailed information has not all been completed.

The test days have been spread throughout the year so as to reflect seasonal changes in traffic movements. In all probability it will be many months before the

compilation and analysis of the data can be completed.

However, careful and extensive consideration of the matter so far indicates that the most satisfactory method of constructing equalized commodity mileage scales will result from basing them on percentages of the proposed uniform standard mileage rates. As indicated above, the relationship must depend upon the outcome of the waybill study.

Certain of the point-to-point commodity rates are related to these scales and accordingly when the commodity mileage scales are equalized, those of the point-to-point commodity rates which are related to them will also be equalized.

An exception in the equalization in the commodity mileage scales will have to be made in certain cases where the commodity mileage scales **both in eastern and western Canada** have been designed to meet motor truck competition. It is not practicable to attempt to equalize these scales because the competitive forces which affect them, vary in different sections of the country.

Q. They are competitive rates then, are they not, actually?

A. Yes, sir.

As to Point to Point Commodity Rates

Because of the large number of these rates and the fact that they reflect not only local conditions but also reflect the needs of local industries it is not, in the opinion of Canadian Pacific, practicable to attempt to equalize these rates with the exception of those that are related to the commodity mileage scales.

The Province of Alberta suggests a means of equalizing these rates by taking the lowest rate

affecting a particular commodity as the basis for the equalization. No equalization can, in the opinion of Canadian Pacific, be accomplished on such a basis without great disturbance to industry as a whole and without a serious effect on the revenue of the railways.

As to Competitive Rates

Since competition varies in different parts of the country, and since competitive rates would be unjustly discriminatory except for the competition, it is not practicable to equalize such rates as between eastern and western Canada.

MR. CARSON: Q. Why do you consider any equalization must await the result of the Board's waybill study?

A. This is a very important prerequisite in the determining of a final pattern as any equalized scale of rates must have for its purpose the preservation of the revenue of the railways.

Q. Why would any equalization scheme have to take into consideration grain rates in the west?

A. A true equalization could not be accomplished unless all rates, including grain rates, were taken into account. If grain rates in the west were continued on the present statutory basis and all other rates east and west equalized, the over-all rate structure in western Canada would be substantially lower than in eastern Canada.

(Page 15407 follows)

MR. CARSON: Now, then.

THE CHAIRMAN: I notice at the bottom of page 75 you say:

" . . . competitive rates would be unjustly discriminatory except for the competition. . . ."

MR. CARSON: Yes.

THE CHAIRMAN: That is a fact, is it?

MR. EVANS: That is the consistent holding of the Board.

THE CHAIRMAN: Do they say this: That you justify these low rates by competition; and that if the competition did not exist, they would be unjustly discriminatory?

MR. EVANS: Unless the same rate were given some place else.

MR. CARSON: Q. Page 79 of Part II states that the suggestions made by Alberta for the equalization of rates in Eastern and Western Canada are:

" . . . to take the rate of taper in the West because it is most favourable; to take Schedule 'A' rates in the East. . . ."

As they are lower than the western distributing class rates; and:

" . . . to take the lowest of the eastern and western scales, in equalizing the commodity mileage rates; and to develop a uniform formula for all specific commodity rates."

And then to adjust the new rate structure upward as a whole:

" . . . to provide for the deficiencies in revenue resulting from the equalization process."

Do you agree with those suggestions of Alberta?

A. Frankly, no, sir; absolutely no. I have

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already given my views on this subject.

It would, in my opinion, be most improper always to adopt the lowest.

In my experience, if this is done, the railways would have great difficulty in adjusting the rate structure as a whole in an upward manner to preserve the revenues of the railways. In fact, if this was attempted it is more than likely it would be opposed.

As stated on page 79, this would be an unduly complicated method to pursue.

Q. At page 18 of the Alberta submission entitled "Rate making principles and the rate structure", it is stated that the United States Commerce Commission has prescribed uniform class rates within and between all rate territories in the United States with the exception of Mountain-Pacific territory.

At page 11245 of Volume 58 of the transcript before this Commission, Mr. Darling, a witness for Alberta, stated that:

" . . . the uniform rates prescribed, I might add, are not yet in effect."

What comment have you to make respecting these statements?

A. The Interstate Commerce Commission in Docket No. 28300 -- Class Rate Investigation, 1939, and Docket No. 28310 -- Consolidated Freight Investigation, decided May 15, 1945, 262 I.C.C. 447 to 766, prescribed uniform class rate scales within and between all rate territories in the United States with the exception of Mountain-Pacific territory and required the publication of a consolidated or uniform freight classification to become effective at the same time as the uniform class rates were published.

Mr. Darling was correct in stating that the "uniform rates prescribed" had not yet been made effective. Neither has the consolidated or uniform classification been published.

The Interstate Commerce Commission in a notice made public 28th November, 1949, proposed new uniform class scales for application between all rate territories within the United States with the exception of the Mountain-Pacific territory and on the same date instituted an investigation of the class rate structure in the Mountain-Pacific territory that a new uniform scale might be prescribed in this territory effective concurrently with the publication of whatever scale may finally be adopted for application in other territories.

Both of these matters will be assigned for hearing at such time and place as the Interstate Commerce Commission may later direct.

The railways in the western territory of the United States have always been, and are still dissatisfied with the uniform class rate scale prescribed by the Interstate Commerce Commission in Docket No. 28300, Class Rate Investigation, 1939, and petitioned the Interstate Commerce Commission October 19th, 1949, for rehearing and modification of the findings and conclusion in its decision May 15th, 1945.

The making effective of a uniform class rate scale within the United States and the publication of a consolidated or uniform freight classification still appears to be a long way off. Whether it will actually become a reality still remains to be seen.

Q. Yes. Now, I want to turn to another subject, that of interline rates.

THE CHAIRMAN: We will take it up this afternoon.

[illegible]

AFTERNOON SESSION

THE CHAIRMAN: Very well, Mr. Carson.

MR. C.E. JEFFERSON, recalled:

EXAMINATION BY MR. CARSON, continued:

MR. CARSON: Q. You are about to take up interline rates, which subject is covered at pages 83 to 94 of Part II. Will you please give the Commission your general comments on this part of our submission?

A. The railways have been very much alive to the matter of interline rates.

We have a great many of them in both Eastern Canada and Western Canada.

Interline rates are published between points in Eastern Canada, on the one hand, and points in Western Canada, on the other, via North Bay, or Port Arthur and Fort William.

The railways establish joint interline rates wherever there is a necessity for them. This is the policy of the railways.

As a matter of fact, this is in line with what is contained in the Railway Act, in subsection 1 of section 336, and in subsection 1 of section 337.

Q. Those two subsections are set out at page 83 of Part II.

A. Yes, sir.

Q. You might go through that part of the submission and comment briefly on it as you go along.

A. Page 83 outlines what interline rates, as referred to in the submission of the provinces, involve, namely:

"(a) Rates from a local point on one railway to a local point on another railway.

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(b) Rates from a local point on one railway to a point on that railway which is served also by another railway.

(c) Rates from a point served by more than one railway to a local point on one of the railways.

(d) Rates from a point served by two or more railways, to another point served by the same railways."

Now, on page 83 of Part II, we state:

"As to (a) - It is argued --"

Q. That is, where that expression "it is argued", is used on this page, it means that it is argued by those in the provincial interests?

A. Yes, sir.

"As to (a) - It is argued that combination or through rates should be made by the use of the distance through the interchange point making the shortest through distance although by agreement between the carriers the traffic may be handled through another interchange.

As to (b) and (c) - It is argued that rates should be made by the use of the single line distance of the railway serving the local point.

As to (d) - It is argued that rates should be made by the shortest single line through distance."

Q. Now then, as pointed out on page 83, following what you have read:

"The matter of interline rates is within the exclusive jurisdiction of the Board of Transport Commissioners . . ."

And then there is set out on page 84:

"There are many joint interline rates within Canada."

And the submission says:

"These rates are widespread and are not confined to one section of the country. They are relatively as numerous in Western Canada as in Eastern Canada."

A. Yes.

Q. Interline rates are:

". . . related to the single line rates, with appropriate addition to cover the extra costs inherent in the handling of interline traffic."

What have you to say about the proportional rates mentioned in the last paragraph on page 84?

A. I shall read that paragraph:

"The Canadian railways publish proportional rates lower than the local rates on many commodities to and from junction points in Canada on carload shipments that are subject to commodity mileage rates and many specific commodity rates. They authorize a reduction from the rates to and from points beyond the junction points amounting to one-half cent per 100 lbs. when the rate is 9¢ per 100 lbs. or less, and 1¢ per 100 lbs. when the rate is over 9¢. These were published to provide rates which were considered to be reasonable for application on irregular joint interline movements of small volume."

Q. Have you a list of the commodities on which mileage rates are published subject to the deduction mentioned?

A. Yes, sir.

Q. And that is a list which should be put in as an exhibit?

A. Yes, sir.

submitted to you.

The first of these is the "Handbook" and the rest

of the material is in the "Handbook". The

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MR. CARSON: I tender this list as Exhibit 173.

EXHIBIT No. 173: Filed by : Canadian Pacific Railway-
Mr. Carson: Commodities on which
: Mileage Rates are pub-
: lished subject to
: deduction on traffic to
: or from connecting
: Lines.

MR. CARSON: Q. Exhibit 173 is entitled:

"Commodities on which Mileage Rates are published
subject to deduction on traffic to or from connecting
lines."

What does that exhibit show?

A. This exhibit shows the Canadian Pacific tariff
number and the commodities in both eastern and western
Canada on which the deductions^{are} mentioned in the paragraph
on page 84 of Part II of the submission which I read.

Q. Yes?

A. I would like to add that that is generally true
for all of the tariffs listed in the exhibit.

There are a few of the tariffs where the deduc-
tions may be a little more, and in some cases a little
less than in the paragraph which I read; but the principle
is just the same.

Q. Now then, at page 85 of Part II, the submission
sets out the various suggestions that have been made by
the provinces and others.

Do you agree with the four suggestions made
to the Commission as outlined at that page?

A. No, sir, I don't agree with any of the four suggestions.

Q. I think you would like to read from the top of page 85 down to the end of the third paragraph of page 92?

A. Yes, sir.

In submissions made to the Commission and in discussions before the Commission, the establishment of joint through interline rates between all points in Canada was advocated. Briefly, the following suggestions were made:

First - that facilities for interchange of freight, where not at present in existence, be established at all points where two or more railways serve such points. (Saskatchewan Federated Cooperative - Transcript pp. 1257 and 1258).

Secondly - that joint through rates be established between every two stations in Canada via such interchange points.

(Saskatchewan Federated Cooperative - Transcript pp. 1257 and 1258).

Thirdly - that joint through rates be established on a basis similar to the rates for single-line hauls, the distance used in arriving at such rates to be the shortest route over which carload traffic can move without transfer of lading. (Province of Alberta - Volume on Interline Rates; Saskatchewan Federated Cooperative - Transcript pp. 1257 and 1258).

Fourthly - that between competitive points the use of multiple-line distances be employed when less than the shortest single line mileage of any railway serving both points. (Saskatchewan Federated Cooperative - Transcript pp. 1257 and 1258).

As to the First Suggestion:

Canadian Pacific and its subsidiary lines maintain interchange facilities with connecting carriers operating in Canada at 206 junctions through which carload freight can be interchanged without transfer of lading.

COMMISSIONER INNIS: Would those be mostly Canadian National?

A. Largely with the Canadian National but also with the smaller lines in Canada, yes sir.

At 21 of such junction points there are no facilities for the interchange of less than carload freight.

At 56 of these junctions less than carload freight is interchanged either through direct track connections or the use of joint sheds, while at 145 junctions the interchange of less than carload freight is effected through cartage between freight shed of Canadian Pacific or its subsidiary lines and freight shed of the connecting carrier at the junction point.

In addition, there are 19 stations on the Canadian Pacific or its subsidiary lines where although there are no facilities for the interchange of carload

freight, there are facilities for the interchange of less than carload freight.

The establishment of interchange facilities at all points where two or more railways serve such points would involve a very considerable outlay of money and materials on the part of the railways with few, if any, compensating advantages, either in the way of additional traffic or saving in expense of operations.

COMMISSIONER INNIS: What would that money be spent on, putting in the connecting railway?

A. Yes, sir, putting in the interchange track, that is, the track from one railway to the other and also switches.

Q. Yes, that is right.

A. Yes, sir.

Q. You have no idea what that would run to?

A. No, sir. It would depend on the distance and the contour of the land between the two railways.

MR. CARSON: And there would be the operating costs that would be involved as well?

A. Oh, yes, sir.

It is very questionable if any considerable volume of traffic would be handled via the additional interchange points, and such traffic as was actually handled would to a very large extent be taken away from other interchange points through which the traffic had previously moved. There are interchange points now in existence through which the movement of interline freight is relatively light.

The establishment of interchange facilities has

always been considered by the Board of Transport Commissioners on the basis of public convenience and necessity, and rightly so. The amount of traffic, present and potential, should be the guide as to whether or not interchange facilities are actually required, and not the mere fact that two or more railways serve a given point.

In this connection, the judgment of Sir Henry Drayton, then Chief Commissioner, in Canadian Northern Ry. Co. v. G.T.R. Co., 20 C.R.C. 84, outlines the view of the Board as follows:-

"It is necessary for the Board, however to determine some principle on which these interchange tracks and through rates are to proceed.

The statute calls for reasonable and proper facilities for the interchange of traffic . and for the return of rolling stock. With the large amount of regrettable duplication of railways, it certainly would not be either reasonable or proper that such interchange tracks, involving as they do at least some cost in every instance not only for construction but also for maintenance and operation, should be installed at every point possible; and, if joint rates had to be filed as and when such possible interchange tracks were put in, the only result would be to absurdly duplicate tariffs and add to the cost of railway operation without resultant benefit to

traffic conditions"

COMMISSIONER INNIS: Does that phrase "large amount of regrettable duplication of railways" still obtain?

A. Does it - - ?

Q. Does it still appertain?

A. It does in some sections of the country, but I would not want to say to what extent.

Q. This was written when?

A. MR. CARSON: It would be way back - -

THE WITNESS: This decision of Sir Henry Drayton?

MR. CARSON: The early 1920's that would be.

COMMISSIONER INNIS: So it would not be as accurate a statement now as it was then?

A. No, sir, I think that is a fair statement.

COMMISSIONER ANGUS: Mr. Jefferson, this question of the cost of new facilities would be virtually the same, would it, if there were only one railway system in Canada? Suppose you had complete unification of the railway systems. Would you still have this problem of the interchange of traffic from one line to another, putting in new facilities to handle it in this way?

A. I would not think you would, no, sir, You would handle the traffic - -

Q. Through other points?

A. Yes, sir, and you would handle the traffic from a given point of origin to a given point of destination via the shortest or most economical route.

COMMISSIONER ANGUS: So that this is really substituting some other route for the most economical route?

A. Yes, the interchange facilities are for two purposes, we might say -- interchange facilities at the request of a shipper or receiver served by one railway at a point where the railways cross, we will say, at a diamond and not served by another railway - when he wants to use both railways and cannot get a track into his industry from the other railway, you have inter-switching so he can use the facilities of both railways. Then you have the other reason for interchange tracks, where there is a diamond crossing, we will say, merely for the matter of interchanging through traffic where it is a route haul both to and from interchange points.

COMMISSIONER INNIS: Do you think the rates would be perceptibly different if you had a completely unified system as between interchange points?

A. If you had more interchange points?

Q. Suppose you had a unified railway system such as Dr. Angus has mentioned. Would that mean that rates would be perceptibly lower at various points than is the case now where you do not have a unified system?

A. Not generally so but you would have instances where if there was only one railway, where rates would be lower than if there were two railways because one railway to go from Point A to Point B might be a more circuitous route than if you had just one railway serving the two points, but it would not affect, I would not think, a large volume of traffic.

THE CHAIRMAN: Leaving the lines as they are geographically, if it was all the one Company or the one

concern, what would be the result?

A. Well, if you leave the lines as they are today in my opinion you have sufficient interchange points to take care of the traffic at reasonable rates.

Q. The question, as I understand it, is whether the benefit of that unification would be to lessen the rates?

A. If you had unification you would lessen the rates where the route of the consolidated railway would be shorter than the route of a single line railway today between two points.

COMMISSIONER INNIS: That would not be in very many cases, you would not think?

A. No, sir, I would not think so. I would not think it would effect a large volume of traffic.

As to the second suggestion, the publication of joint through rates via all interchange points would involve a tremendous amount of very complicated tariff publication, the expense of compilation and printing of which would be very great. The amount of traffic on which such rates would be applied would, in many cases, not be large enough to justify the labour and expense involved.

COMMISSIONER INNIS: If you had a unified system, again would that be wiped out?

A. That would be, yes, sir, because you would just have one tariff between all points -- yes.

This suggestion is undoubtedly made with the principal object of securing a reduction in freight charges and while this would be realized in certain instances, it is questionable whether the saving thus effected would, in the aggregate, amount to any very considerable sum. It would only benefit movements of goods that are

for the most part sporadic. As a general rule, interline movements of any real volume are today subject to joint through rates, and the railways are always prepared to give consideration to the establishment of additional interline rates as the necessity for them arises.

There would inevitably be many such joint through rates which would not be used, because of the lack of traffic moving through the junction points through which the rates are effective.

As against such saving in freight charges as might be realized by shippers, consideration must be given to the expense incurred by the railways in providing and maintaining additional facilities for the interchange of freight traffic where such do not now exist, the compilation and printing of voluminous freight tariffs, and the dislocation of existing freight train schedules. It is the opinion of Canadian Pacific that the comparatively small savings realized by the shipping public as a whole would be very much more than offset by the additional expense incurred by the railways which must ultimately be borne by the users of railway service.

As to the Third Suggestion:

If joint through rates are established via the shortest route over which carload traffic can move without transfer of lading, the application of a basis of rates similar to that for single-line hauls via such routes would, in addition to increasing the costs, also result in very substantial reduction in the revenue of the carriers.

There is also involved in multiple-line hauls the cost of transfer at the interchange point, and in the case of less than carload traffic, this frequently

involves a cartage charge between the freight sheds of the respective railways. Such additional expense should be included in any joint through rates as has been recognized by the Board and by the Interstate Commerce Commission.

In the report made by the late Mr. J. Hardwell, Chief Traffic Officer of the Board of Railway Commissioners, dated July 23rd, 1919, in advocating a basis for constructing joint through class rates between points in Ontario and Quebec, he recommended the publication of joint through class rates between points on the Grand Trunk, Canadian Pacific and Canadian National Railways, based on the addition of arbitraries to the single line rates. The arbitraries, he considered, should be sufficient to cover the cost of transfer at the interchange points as well as some addition to the single line rate because of the two line haul.

Mr. Hardwell's recommendation was adopted by the Board, and the railways were ordered to publish joint through class rates on this basis in Order No. 28618 of 1st August, 1919.

The railways did not consider that this basis of rates was sufficiently high to cover the transfer costs and the additional costs of the two line haul. Neither did they feel that there was sufficient traffic involved to warrant the publication of the additional joint through class rates. As a result of subsequent representations made by the railways, the Board rescinded Order No. 28618 on 23rd March, 1920, by Order No. 29495. Nevertheless, it is quite apparent that the Board recognized the necessity for some addition being made to the single-line rates when joint hauls were involved.

The suggestion for the establishment of joint through rates on the basis of the shortest route over which freight can be handled without transfer of lading, accompanied as it is by other submissions for the establishment of interchange points at all points of intersection, can in essence only be an attempt to break down existing single line rates. This is so because, if the traffic were to move through the new junction points rather than by the single-line haul, many cases would exist where the originating carrier would only get a short haul to the junction points. This result would be reflected in the division arrangements with connecting carriers.

(Page 15429 follows)

Since it is a well recognized principle that no railway can reasonably be expected to short haul itself, the practice would then grow up of having the originating carrier reduce its single line rate to the reduced rate for the shorter mileage through the junction point. The originating carrier would be compelled to do this in order to retain as much revenue as it could and in order to avoid short hauling itself. Thus it would inevitably result in a breakdown of the existing rate structure to a level below what the distance would normally require.

As to the principle that railways are entitled to avoid short hauling themselves, reference is made to *Imperial Steel & Wire v. Grand Trunk Railway*, 11 C.R.C. 395 and the Chief Commissioner's judgment at page 399 in which he says:

"In any event, it is well settled that the initial or originating railway company is entitled to as long a haul upon its own lines as may be reasonable. This is laid down in the English case of *The Plymouth, Davenport and South Western Junction Railway Company v. Great Western Railway Company*, 10 Ry. & C. Tr. Cas., page 68. The following is an extract from the judgment in this case:-

'For instance, on the one hand, we have to take into consideration that the Great Western Company ought not, without some due cause in the public interest, to be deprived of the advantage of its long run in respect of traffic which has originated on its own system.'

It is not necessary to say anything further upon this point, as the foregoing covers the applicants' complaint."

In considering the third suggestion, regard must be had to its effect upon the quality of service.

Many junction points are located on branch lines of one or both of the connecting railways, and the number of these would be increased if interchange facilities were established at all points served by two or more railways.

THE CHAIRMAN: Just a moment; I wonder whether we could have the dates of these statements we have been listening to.

MR. CARSON: That is the judgment, 11 C.R.C.?

THE CHAIRMAN: Yes, Canadian Railway Cases.

MR. CARSON: We can get that very shortly.

THE CHAIRMAN: And the preceding one of Sir Henry Drayton which I think must have been about 1916.

MR. CARSON: I am sending to the library, and we will get the exact dates, my lord.

COMMISSIONER INNIS: Does this English case, to which reference is made, give any further indication as to what is meant by "reasonable"?

MR. EVANS: There is a good deal of question in the United States cases about what constitutes reasonable circuitry, and I suppose that same principle would apply here, that is to say, if you have unreasonable circuitry the principle would not be recognized that the long haul was to be given to the originating carrier, but if the circuitry was reasonable they would respect the desire of the originating carrier in competition with others to retain the traffic as long as it could.

THE CHAIRMAN: It seems to me it would be difficult to say what is reasonable and what is not reasonable.

MR. EVANS: Oh yes, it is just the same as what is a reasonable man. I think it depends on looking

at the question in the light of the particular facts.

COMMISSIONER INNIS: There are no outstanding cases?

MR. EVANS: The Interstate Commerce Commission has laid down - as a matter of fact, there was a statute that laid down what was a reasonable degree of circuitry in the United States. I cannot recall what that was. I remember Dr. Locklin gave some evidence about that, and my recollection was it depended on the length of haul from origin to destination. A certain amount of circuitry, a percentage of circuitry was the way it was looked at, but Dr. Locklin's book, I think, has something on that.

COMMISSIONER INNIS: There is one other point merely as a matter of information. You say something about the difficulty of interchange of less than carload traffic. What is the particular problem? This is merely a matter of ignorance on my part, but what would be the problem of interchange of l.c.l. traffic?

THE WITNESS: Well, the main problem, I suppose, on the interchange of less than carload traffic would be where there was not sufficient less than carload traffic to interchange the car and take the car to the freight shed of the other railway. You transfer your less than carload traffic at the smaller interchange points by carting it from one station to the other.

COMMISSIONER INNIS: Q. It is merely a question of volume?

A. Yes, sir.

MR. EVANS: Q. And expense; would expense not enter into it?

A. Expense of cartage, oh, yes.

MR. CARSON: On page 88 the brief says that this frequently involves a cartage charge between the freight

sheds of the respective railways.

THE CHAIRMAN: Q. Would the expense to the railway be the same in the case of a fully loaded car as in the case of a partially loaded car?

A. If you interchange a fully loaded car you might not have to unload it and pay for cartage and load it again.

Q. You say in less than carload lots you would have to unload the car?

A. Unload the car, handle it in the shed, load it on a truck and take it to the other railroad.

COMMISSIONER INNIS: Q. Why should you need to unload it? Why could you not let the car go on?

A. If it was a point where you have interchange?

Q. Yes?

A. I do not think you would have sufficient volume for that in the first place.

Q. It comes back to the question of volume?

A. And in the second place after you did interchange the car at the interchange point the movement from the interchange point might be in different directions, and part of it would go in a one-way car travelling north, and part of it would go in another way car going south. The car could not necessarily go right through to the destination.

Q. You are thinking of the type of traffic which is going to be distributed along the line?

A. Yes, sir.

MR. CARSON: Q. I think you were on page 90, Mr. Jefferson.

A. I think I was starting this paragraph:

In considering the third suggestion, regard must be had to its effect upon the quality of service.

Many junction points are located on branch lines of one or both of the connecting railways, and the number of these would be increased if interchange facilities were established at all points served by two or more railways. Branch line train service is not, generally speaking, as good as that afforded on main lines, as it is not warranted by the volume of traffic. In some cases train service on branch lines is tri-weekly, bi-weekly or weekly. Regular interchange points are now available via which general working arrangements are in effect and train schedules are set up by each line for the prompt handling of traffic through such junction points. It would be most difficult, if not impossible, to arrange train schedules so as to provide convenient connections at so many junction points and to give an efficient and satisfactory service such as the public demand.

Delay in handling traffic by way of branch line junction points, when there is a reasonably direct main line junction available through which a daily service can be obtained, would offset, to some extent at least, any possible saving in freight charges.

The handling of traffic through junction points located on branch lines where there is only tri-weekly, bi-weekly or weekly service, as compared with handling through junctions on lines over which a daily service is maintained, would inevitably result in delays in the handling of goods. Such delays could in certain instances be costly to shippers, and might result in loss of sales.

If, however, the railways were compelled to establish joint through rates between all points by way of the shortest available working route in each case, but, in the interests of better service, elected to handle the

traffic by a longer route, some additional compensation for the additional service performed would be required.

As to the Fourth Suggestion

The use of the joint distance of two or more carriers between competitive points, when shorter than the shortest single-line distance of any one carrier serving both points, would not necessarily result in a lower rate. It has already been shown that some addition to the single-line rate, when constructing rates for joint hauls, would be required to take care of the cost of transfer at the interchange point.

Unless, therefore, the distance by the single-line haul is unduly circuitous, the rate which would be constructed for the joint haul would be in excess of that applicable by the single line.

In addition, the carrier serving the originating point is entitled to the longest reasonable haul. If the same carrier also serves the destination, it follows that it is entitled to haul the goods through from origin to destination, and should not be compelled to give the traffic up to a connecting carrier at some junction point short of the final destination. At the same time, the single-line carrier is entitled to receive revenue based on the recognized scale of rates for the length of the haul it performs.

Even though the two line haul may be shorter than the one line haul, the service by the two line shorter route would not be as good as service via the single line in view of the necessity of switching service which would be required between the connecting railways at the junction point. Moreover, the shorter two line service would be more costly to the railways than the longer single-line haul.

MR. CARSON: My lord, I have the dates of these decisions. At page 87, Canadian Northern Railway v. Grand Trunk Railway, 20 Canadian Railway Cases, page 4, that is 1916. On page 90, Imperial Steel & Wire v. Grand Trunk Railway in 11 Canadian Railway Cases is 1911, and the English case that is cited in that quotation, the Plymouth, Davenport and South Western Junction Railway Company case, is 1899.

COMMISSIONER ANGUS: Q. Does the evidence we have just had really amount to saying that if you are going to have competing railways you must take the bitter with the sweet?

A. That is right.

MR. EVANS: Except there is some qualification as to how bitter you can be if the Board controls that.

COMMISSIONER ANGUS: I was going to ask later how sweet the sweet was.

MR. CARSON: Q. At the bottom of page 92 and over onto the top of page 93 mention is made of interline rates in the United States. Will you explain that to the Commission, Mr. Jefferson, please?

A. In the United States the practice of the Interstate Commerce Commission has been to prescribe class rates and commodity rates for either single or joint line hauls on the same basis. There are, however, a number of commodities such as sand, gravel, crushed stone, brick, clay, pulpwood, lime, etc., on which two-line rates have been prescribed on a higher basis than for a single-line haul. The rates prescribed by the Interstate Commerce Commission, however, are not single-line rates extended for multiple hauls as suggested by Alberta for application within Canada. For a great many years the Interstate Commerce Commission in making rates in the United States

have based them on the fact that they have in that country a transportation system which consists largely of multiple hauls. The situation within the United States is entirely different to that prevailing within Canada. There are a large number of smaller railroads operating within various territories of the United States whereas in Canada there are only the two large transcontinental railways operating from coast to coast.

I might point out one example, between New York and Chicago where there are about four single-line routes and about twenty-five multiple routes it would be out of the question to endeavour to add an arbitrary over the single-line rate via multiple routes. This situation is general all over the United States with the possible exception, I understand, of West Texas, the Dakotas and Montana where some single line rates are in effect.

Q. Are there any other comments on this subject, Mr. Jefferson, before you leave it?

A. The only further comment is to draw the Commission's attention to the last paragraph on page 94:

The expenditure of large amounts of money and materials necessary for the construction of interchange facilities at many additional points; the additional operating costs that would result in most instances; and the expense of tariff publication required to establish joint through rates between every two stations in Canada, would in the opinion of Canadian Pacific, greatly outweigh any possible saving to the shipping public through the medium of lower freight rates which might result in certain instances. In the final analysis, the position of the general shipping public and that of the railways would be impaired rather than be improved.

COMMISSIONER INNIS: Could it be inferred that

Canada is penalized to some extent because she has only two main lines of railway as contrasted with the United States?

A. I would not say they are penalized because it is very difficult to deal with a subject of this kind without knowing the instances that they are complaining about. To me, if I may say so, I think a lot of it is more or less imagination. I think that we have interchange facilities to-day in Canada at all the places where we need them for the movement of the traffic that we have.

Q. But you have suggested that the facilities are so very much greater in the United States as a result of several lines of railway and the difficulties of getting a similar arrangement in Canada because we have only two lines of railway, and I wondered whether some penalty was not involved?

A. Perhaps you have misunderstood what I said. What I said was in the United States when they make mileage scales of rates they make them in the first instance for two-line hauls rather than one-line hauls because they have so many multiple hauls whereas in Canada we have more single-line hauls, and when we have multiple line hauls we charge higher than the single-line rates.

THE CHAIRMAN: Q. Then that would be conducive to lower rates?

A. I think it is a benefit that Canada has compared with the United States.

COMMISSIONER INNIS: Q. Does it permit, for example, of market competition on the scale which is characteristic of the United States?

A. Does it prevent it?

Q. Does it permit?

A. Permit of --

Q. Of market competition between various regions in the sense in which it seems to be true in the United States?

A Well, I do not think that Canada is at any disadvantage in that respect because there are very few points of importance in Canada that are not served by both railways. There are not an awful lot of important points in Canada that are not served by both railways.

MR. FRAWLEY: Q. Lethbridge is a pretty important little town?

A. Yes, but it is only one.

Q. Oh well, Mr. Jefferson, the whole of northern Alberta is served only by the Canadian National?

A. I am speaking of the important points.

MR. CARSON: Thank you, Mr. Jefferson.

(Page 15439 follows)

MR. FRAWLEY: That is why I mentioned Lethbridge, because Lethbridge is a growing town.

COMMISSIONER INNIS: Q. The other point is: It is not the question of importance which worries me particularly, it is the great number of unimportant points which may want to get into different markets?

A. I do not know what the unimportant points you speak of would have to ship in any volume to unimportant points on another railway.

Q. I was thinking of the extent, for example, to which pulpwood was shipped in Northern Ontario.

A. Pulpwood would move to points where the mills are located. And the large percentage of mills are located at competitive points. It is true you will find some mills which are not located at competitive points such as Hawkesbury, Ontario, or Three Rivers, Quebec.

Now, Hawkesbury would no doubt, as far as it could, draw all of its wood from points on the Canadian National Railways, because that is the railway which serves it.

Three Rivers, on the other hand, would draw its wood from points on the Canadian Pacific, because the Canadian Pacific is the only railway which serves it.

But we have a lot of joint rates on pulpwood into Three Rivers from points on the Canadian National Railways.

Q. You would not say there is a tendency for each railway to build up a little sphere of interest in regard to particular pulp mills it is serving, and in regard to stretches of line on which the pulpwood is produced?

A. No, sir. We make joint rates for pulpwood moving off our line to mills served exclusively by the

Canadian National, and the Canadian National would make joint rates for pulpwood moving off their line to mills served exclusively by the Canadian Pacific.

Take Espanola, if you like, where there is a large woodpulp mill. We have rates from points on the Canadian Pacific to Espanola, and also to points on the Canadian National to Espanola via Sudbury and via North Bay.

Q. Would those through rates be the same as single line rates?

A. They would be higher than single line rates, but made by agreement between the railways and the woodpulp producers, yes, sir.

MR. CARSON: Q. Now, turning to page 95, the next part of the brief deals with:

"Prior Approval of Rate Changes by Board of Transport Commissioners for Canada."

Would you please review pages 95, 96 and 97 because I believe, as a traffic officer of long experience, you have some very decided views on this subject.

A. One of the suggestions made to this Commission is:

". . . before a new rate is made effective or an old rate changed, particularly special or competitive rates, the railways first satisfy the Board of Transport Commissioners of the necessity

and profitability of such . . ."
action.

Another suggestion is that once a rate is established it should not be withdrawn without first obtaining the approval of the Board.

In my opinion, if these suggestions are carried out, it would be a backward step and would

stifle rather than assist both industry and the railway.

I think I am correct in saying that industry in itself would vigorously oppose such legislation.

Q. Why do you say that?

A. The best answer I can give is to read from the bottom of page 95 and pages 96 and 97:

"In the view of Canadian Pacific, any such legislation would not be in the interests of either the public or the railways. Moreover, such legislation would in all likelihood be opposed by industry in general throughout the country.

The necessity of the railways submitting full particulars of each and every rate change to the Board of Transport Commissioners for their approval prior to the tariff publication would result in substantial delays in having rates made effective.

Publication of commodity rates and competitive rates generally require prompt action. This is as much to the advantage of shippers as it is to the railways because delays in having rates established would impede shippers in reaching or developing new markets.

When new industries are being developed one of the questions to be determined is that of the freight rates which will be available to it when required. It becomes essential both from the standpoint of location and from the standpoint of preliminary calculation as to whether the industry can afford to go into business in the face of existing competition, to know quickly what its rates will be. Under the proposal as made to your Commission, the railways could not make any firm quotation upon which an industry could rely unless it first obtained the approval of the

Board. Not only would this cause delay but it would prevent conversations taking place between the industry and the railways with a view to having an even lower quotation made. The interjection of the Board into discussions of this kind before it was definitely known that the rate would be utilized would effectively prevent industry having advance knowledge of such matters.

In some cases the first quotations made by the railways will be the subject of further study and negotiation and in the result the whole procedure of establishing such rates would be greatly delayed by the intervention of the Board. After the rate is published, the same procedure would require further intervention of the Board before the rate could be removed even though it should be discovered that the rate is not in fact being used by the industry for which it was published.

Rate quotations are also made to various industries to enable them to make bids for business. Some of these quotations are ultimately withdrawn as the rates are not required to be published. It would be an unnecessary burden in the opinion of Canadian Pacific on both the Board and the railways if such quotations had first to be submitted to the Board for approval.

Moreover industry on the other hand might in the delay which would ensue from getting the approval, be unable to bid for the business involved and the business would then be lost to the industry requesting the quotation.

As to rates which have become obsolete or

upon which no traffic is moving, the necessity for obtaining the prior approval of the Board to their removal or cancellation would, in the view of Canadian Pacific, be an unnecessary waste of time and expense. Similarly, in the case of competitive rates, where the competition was no longer such as to require the rate to remain in effect, the railways would lose considerable revenue owing to the delay in obtaining the approval of the Board.

The present practice, in the view of Canadian Pacific, is much to be preferred over the proposed alternative. Carriers may publish reductions in rates on three days' notice to the Board of Transport Commissioners and increases, except in the case of standard rates, on thirty days' notice. Any rates so published can be attacked at any time either before or after they become effective and all interested parties, including Boards of Trade and shippers' organizations, can obtain copies of all tariffs and supplements so filed by having their names placed on tariff mailing lists maintained by the railways. They are, therefore, in a position to oppose any increase in rates or cancellation of existing rates well within the thirty-day period by merely filing a protest with the Board. In proper cases the Board may actually suspend, and in many cases has suspended, proposed increases in rates before they became effective, pending investigation and hearing of the complaint.

One aspect of the matter which is not infrequently met by the railways is that of confidential inquiries through persons contemplating establishing industries. These persons would not desire to have their plans made public until a

final decision regarding their plans has been made. If the Board had to be brought into the matter and other persons notified, it might prove embarrassing to the industry."

COMMISSIONER INNIS: Q. Do you think a division could be made with regard to the regions? That is to say, on page 95 the various witnesses referred to suggest that some sort of regional difference exists in the point of view, for example, in Central Canada the Canadian Manufacturers' Association, and so on.

One can see the importance of the speed with which you can get your information, and so on; but in the Prairie Provinces, they seem to have been more or less unanimous that the Board should be required, or that steps should be taken only after due notice. Do you think there is any reason in dividing?

A. I do not think that the situation in the west is any different than the situation in the east.

Q. If you are concerned with wheat products or livestock, or agricultural products generally, would not that be rather so, from the point of view of industry, or the plants such as you have outlined?

A. If we were going to increase the rates on livestock, you mean?

Q. Or whatever changes you are going to make?

A. It depends on what we have in mind. Now, take livestock. You have a general basis of livestock rates, and you would not reduce the livestock rates for a man in order to give him an advantage over another livestock shipper.

Q. No; that is what I said. There does seem to be a difference.

A. But you would have the same situation in respect to a manufacturing industry. I do not care what the commodity is.

Let us say they are making washing machines at some point; and someone else wants to build a plant at another point, to make washing machines, and he comes in and asks you for rates.

The railways themselves would not give that man any rate on his washing machines which would not be fair and comparable with the rate which his competitor, who is making washing machines, would pay.

Q. I understand that. There is no difficulty there with an industry of that type. I am thinking rather of the difference in the point of view put forward by the Canadian Manufacturers' Association.

A. We do not disagree with the Canadian Manufacturers' Association.

Q. But they put that forward in their brief.

A. Oh, you mean with respect to prior approval?

Q. No; with respect to your general arguments; they rather support your position.

A. Yes, sir. But my feeling is that the railways should be left free to make rates, just as they are today; and then, after they are published, anyone has the right to complain of those rates, whether there is a reduction or an increase.

Q. I was wondering if there was not a difference in the problem as you have outlined it, and as it has been made by the highly industrialized communities?

A. I do not think there is any difference, whether it is a manufactured product, a raw material, or an agricultural product.

Q. You do not?

A. I do not think there is any at all, no, sir.

MR. EVANS: Perhaps I might suggest to Dr. Innis that the unanimity of which he speaks is probably a synthetic unanimity. I was going to suggest that you cannot assume there is unanimity, because the other two are not complaining and are not present here.

COMMISSIONER INNIS: But there is apparent unanimity between the two points of view.

MR. EVANS: The unanimity which you spoke of in the west that this should be done -- I suggest to you that the unanimity is not the unanimity of those who are directly interested in the producing and shipping of those commodities, but rather the unanimity is presented through the provincial governments who claim to represent those people, but who, in fact, have only a mandate through the fact that they have been elected at the last election.

THE CHAIRMAN: And are trying to be re-elected at the next election?

MR. EVANS: Quite so, my ,lord.

THE CHAIRMAN: We shall take a few minutes recess.

---Recess.

---Upon resuming:

MR. FRAWLEY: My lord, I understand that while I was in the corridor consulting with Mr. Shepard, some question was raised as to whether the provinces are properly before this Commission.

THE CHAIRMAN: Well, if it was raised, I did not hear it. No, I think what you must have in mind is: that Mr. Evans pointed out that those who were said to be the complainants are the provincial governments, who attempt to speak for the people of the provinces.

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MR. FRAWLEY: Before the Board of Transport Commissioners?

THE CHAIRMAN: And that there may be others who are in a different state of mind, but who are inarticulate here.

MR. FRAWLEY: The inarticulate people are the consumers, and I am speaking for them.

THE CHAIRMAN: The indication was that the inarticulate people might have a different view.

MR. FRAWLEY: I am speaking for them and I take the responsibility of speaking for the consumers of the province of Alberta.

MR. CARSON: The articulate ones too?

MR. FRAWLEY: Yes; both the inarticulate as well as the articulate ones.

MR. CARSON: Well, I would say that was the biggest brief I have ever heard of.

MR. CARSON: Q. Coming to the question of "Minimum Rates" on pages 98 and 99, what have you to say on that subject, Mr. Jefferson?

A. I would like to read pages 98 and 99.

Q. Yes?

A. "This subject was brought to the attention of the Royal Commission in the submissions of the British Columbia Government and the Paper Manufacturers and Converters of British Columbia and was dealt with in cross-examination of the witnesses.

Suggestion was made to the Commission that the Board of Transport Commissioners, in addition to prescribing maximum rates, should also prescribe minimum rates below which the railways could not go. The inference was that with minimum rates prescribed by the Board the railways would be

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prevented from carrying any freight at a loss in Eastern Canada under the competitive rates.

The Board already has this power under the Railway Act which provides that rates shall be just and reasonable. This means just and reasonable to the railways as well as to the shipping public."

THE CHAIRMAN: Q. Pardon me for a moment. Do you think that means that the railways could control a given case? Suppose the rates are unjust and unreasonable to yourself, therefore you must increase them? Is that what you mean?

A. We mean that they must be just and reasonable, and that if they are too low, there is a disadvantage.

Q. In respect of whom?

A. In respect of other shippers.

Q. If you put it on that basis, I understand it.

A. Yes, sir.

Q. But the brief says it means just and reasonable to the railways?

A. Yes, sir. I think I have explained what is meant.

Q. But it really means "to other shippers"?

A. Yes, sir.

"In the opinion of Canadian Pacific, no useful purpose would be served by having specific provision made whereby the Board would prescribe fixed minimum rates below which the railways would not be permitted to go.

It is not practicable to fix a floor for general application throughout Canada or, for that matter, within any one section of the country.

Any attempt to fix minimum rates would presumably have to take into account and perhaps

Government of [Country] [City] [Date]
In Reply to [Name] [Address] [City] [Date]
Dear Sir,
I have the honor to acknowledge the receipt of your letter of the [Date] and in reply to inform you that the same has been forwarded to the [Name] [Address] [City] [Date] for their consideration.

I am, Sir, very respectfully,
Yours faithfully,
[Signature]

I am, Sir, very respectfully,
Yours faithfully,
[Signature]

I am, Sir, very respectfully,
Yours faithfully,
[Signature]

I am, Sir, very respectfully,
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even be based on out-of-pocket costs. Such out-of-pocket costs would be difficult to determine, would vary as between regions and as between different types of traffic. Moreover out-of-pocket costs vary from year to year not because of variations in traffic volume and in the flow of traffic.

Canadian Pacific accepts the general rule that it is inadvisable to fix any rate below out-of-pocket costs and fully realizes that in most cases, the fixing of such a rate will reduce the total net income of the Company and thus result in a tendency towards an increase in rates in other forms of traffic. It does not, however, believe that in view of the different regional costs and of the differences in circumstances as related to the volume, direction and character of traffic, it is either feasible or practicable to establish a minimum or a definite percentage of maximum rates below which the railways could not go."

(Page 15459 follows)

Canadian Pacific is prepared to have its Freight Traffic and Accounting Officers confer with the technical staff of the Board of Transport Commissioners to review the general principles to be used in calculating out-of-pocket costs. In the submission of Canadian Pacific such consultation would accomplish all that could be done in any event and it is not, in the view of Canadian Pacific, necessary that there be any legislation to bring this about.

MR. CARSON: Now, have you any further comment on that part of the Brief?

A. No, sir.

COMMISSIONER INNIS: I would like to come back for a moment, Mr. Carson, to the section on prior approval of rate changes and in particular on page 97 where you refer to the three days notice to the Board and then thirty days notice.

A. Three days notice to the Board for a reduction in rates, yes, sir.

Q. Yes. I am just wondering what the implications are. It seems to me it might be as injurious to a competitor to find the rates were being reduced to assist someone else and he knew nothing about it until the whole benefit had been carried through. I can see as much damage might be done by lowering the rate as by raising it.

A. Yes.

Q. And you allow thirty days notice in the case of raising and only three days in the case of lowering it?

A. The Railway Act provides for three days in

the case of reductions and thirty days notice in the case of increase in rates.

Q. And you don't think that any change is warranted in the question of reductions?

A. I don't think so, because we have not, I must say, experienced any difficulty.

Q. You have never had complaints from competitors who felt that they were prejudiced by a sudden reduction?

A. No, sir. I won't say we never had any, but I say we never had any of any consequence or anything important. I don't know of one for years where anyone has filed a complaint of a reduction in rates. As you say, it would be in the case of where an industry thought it was being injured by doing something for another industry.

Q. Yes.

A. Well, we, as railway people, we try to avoid that. We would not want, if we could help it, to make a rate for one shipper that we did not think another shipper could have.

Q. And you think your general interest involves sufficient protection?

A. Yes, sir.

MR. CARSON: Q. The next subject you are going to deal with in Part II is the subject of reparation.

THE CHAIRMAN: Subject of what?

MR. CARSON: Reparation which is dealt with commencing with page 106 of Part II and running through to 117. Now, would you please comment on this subject,

Mr. Jefferson?

A. Well, I am very much opposed to any amendment to the Railway Act which would authorize the Board to award reparation. My reason for this is that in my opinion reparation is nothing more than a legalized rebate which could be grossly abused. Certain witnesses before this Commission who favour reparation in Canada agreed that if this was done it should work both ways. In other words, where a rate was found unreasonably low, that the railways should be permitted to apply a subsequently published reasonable rate retroactively and collect back charges. I am not in favour of reparation, whether it be in favour of the shipper or whether it be in favour of the railways.

MR. CARSON: Just a minute, Mr. Jefferson.

THE CHAIRMAN: Do I understand that somebody suggested that?

(Page 154 63 follows)

THE CHAIRMAN: Do I understand that somebody suggested that?

MR. EVANS: I do not know that they suggested it. I think under cross-examination they indicated that they thought it would not be fair to work both ways.

THE CHAIRMAN: Because the rate which turned out to be too low had been fixed by the railway itself in the first instance?

MR. EVANS: Yes ---

THE WITNESS: Not necessarily; it might have been fixed by the Board.

THE CHAIRMAN: Yes, if it is a standard rate.

MR. EVANS: Not necessarily a standard rate -- on an application for an increase.

THE CHAIRMAN: Well, if it applied only to rates which are fixed by the Board, I understand it, but if it applies to all rates, even those fixed by the railways themselves, then I do not understand it.

THE WITNESS: Well, what I had in mind, subject to Mr. Evans' views, what I had in mind was that if some one complained of a rate and it was found that the rate was not reasonable.

THE CHAIRMAN: It was too high, you mean?

A. First, if it was too high.

MR. CARSON: That is on the rebate side.

A. That would be on the application of a shipper, we will say, and we were ordered to reduce it, then the shipper would say he wants reparations back to shipments over a certain period. Likewise, if some one complained to the Board that our rate was too low and the Board ordered us to increase it, we say we should be able to

collect higher charges back over a period.

THE CHAIRMAN: Even in a case where you yourselves fixed the rate?

A. Yes, sir. If freight has moved and the transaction closed it would in my opinion, except in the case of an error in the rate be neither reasonable nor proper to expect the railway to make refunds or go back to some shipper, say, two years after the transaction was closed, and collect additional freight charges. The legal published rate is the one on which the terms of sale are arranged and should be the rate upon which the freight charges are collected. If an error is made and the legal rate not assessed, the railway without question promptly refunds any overcharge as it has no authority to collect charges at any other than the legal published rates.

MR. CARSON: Have you anything further to say on this subject, Mr. Jefferson?

A. Well, I would like to read from the middle of Page 114 to the end of Page 116.

Reparations are in essence legalized rebates. In the United States large shippers can use the right to reparation in a way in which that right was never intended to be exercised. For example, if a rate is negotiated by agreement between the shipper and the railroads and is not put into effect quickly enough to be applicable to the first movement of traffic, it is possible for a large shipper to put pressure upon the railroads to have them apply to the Interstate Commerce Commission for permission to refund the difference between the rate in effect prior to reduction and the reduced rate. These refunds can be made with the permission

of the Interstate Commerce Commission on the joint application of the railroads involved, who must, of course, on such application, take the position that the prior rate was unreasonably high. If a small shipper were involved or if the competition for the shippers' traffic were less active, the railroads might resist the application for reparation and in many cases it would be impossible for the shipper to demonstrate that the rate prior to the decrease was in fact unreasonable. Thus, the larger shipper may succeed in obtaining reparation where a smaller shipper would fail to do so. Cases of this kind are quite as objectionable as the practice of making rebates which existed in Canada prior to the passing of the present Railway Act in 1903. Canadian Pacific does not suggest that such a practice is widespread in the United States or that it would become so in Canada. What it does suggest is that the temptation to use reparation in competitive situations might prove difficult to resist when large shippers are involved.

COMMISSIONER INNIS: Have you any specific information as to large shippers? Is this a generalization?

A. It is just a general term of a large shipper as compared with a small shipper.

Q. But there are no cases to which you can refer?

A. No. You might refer to shippers who have interests all over Canada as compared with a shipper having an interest only at one place in Canada.

Q. I am thinking only of the United States. Where you mentioned a large shipper I wondered whether there was any evidence as to who the large shipper was?

A. Well, in the old rebate days they always considered the packers the largest shippers.

Q. They were the major offenders?

A. Yes, sir.

MR. FRAWLEY: The biggest case is the United States Government who are now suing the American railroads for a lot of goods they shipped up to the Alaska Highway.

A. That is an application for reparation.

Q. But it is what you were discussing?

A. Yes, sir.

THE CHAIRMAN: What is the point? Were they charged too much?

MR. FRAWLEY: I understand they are suing for millions of dollars of overcharge.

A. I would say billions.

Q. On goods they shipped by the railway to the Canol pipeline and the Alaska Highway?

A. Not only there.

Q. No, not only there but that was one of the big instances of goods that moved to the railhead at Dawson Creek. I must leave it in the hands of the railway as to whether I am right or not. Is it not correct that there are pending suits or applications?

A. There are applications before the Interstate Commerce Commission for reparation on a lot of materials that moved within and to and from points in the United States during the war years.

THE CHAIRMAN: But you say "a loss of materials"?

A. On the overcharge of freight rates. The parties making the application for reparation, which is a branch of the United States Government, considered that the rates which they were charged during the war were unreasonably high.

Q. But this is a loss of goods which is another

thing.

A. It has nothing to do with loss -- lots of material.

MR. CARSON: "Lots of material" was shipped?

A. Yes, sir, not "loss of material".

(Page 15468 follows)

MR. FRAWLEY: Q. What I was asking Mr. Jefferson, if you do not mind letting me pursue it for a moment, was whether or not the application for reparations did not include commodities such as war materials and materials of all kinds which moved up to the railhead at Dawson Creek?

A. I have never seen the details of the applications. I do not know what particular shipments are involved in the applications for reparation.

Q. If you have not heard it then I would think there is nothing in what I am suggesting because you would be a party to it if it moved to the railhead at Dawson Creek, would you not?

A. We might be a party, but I might not see it.

Q. That is true. You do not know whether or not you are a party to any of these proceedings?

A. I know we are a party but I have never reviewed them.

MR. EVANS: Perhaps I can help my friend Mr. Frawley. There were claims made in respect of goods handled over the Alaska Highway, and through agreement with the United States roads the questions were left to them to discuss with the United States government. Whether some of these things are now involved in this big litigation involving up to \$2 billion I am not aware, but I do know there are claims now pending by the United States government which, if given effect to, would involve about two or more billion dollars.

THE CHAIRMAN: Billions?

MR. EVANS: Billion.

COMMISSIONER INNIS: Those would only concern your lines in United States territory?

MR. EVANS: Yes. Even where we are involved in a through haul we have never submitted to the jurisdiction

of the Interstate Commerce Commission to award reparations in respect of the haul within Canada.

THE CHAIRMAN: Q. Mr. Jefferson, can you give me some information about this statement here? There is a reference at the top of page 115 to the objectionable practice of making rebates which existed in Canada prior to the passing of the present Railway Act in 1903.

A. Yes, sir.

Q. You seem to think what is suggested now by these different people would bring back a practice of the same sort as that which existed prior to that time?

A. Of the same sort in a different manner.

Q. Before the Board was constituted, before the present legislation was in effect, what was the matter complained of?

A. I cannot speak from personal knowledge because I was not in the railroad business then, but I am told that some shipper, we will say in Toronto, would come to the railways and he would want a rate on a volume of goods to move to Montreal, and the two railways would agree on the rate, but one of the railways would say to the chap, "You ship your goods my way and I will rebate you one or two cents a hundred after they move."

MR. CARSON: Q. That is before your time?

A. Yes.

THE CHAIRMAN: Q. Of course such a practice is impossible now, is it?

A. That is right, yes, sir.

MR. CARSON: Q. Will you go on?

A. The experience in both Canada and the United States, before regulation of freight rates became effective, and when rebates could be made, was that rebates were obtained almost exclusively by the large shippers,

The first part of the book is devoted to a general
introduction of the subject. The author discusses the
importance of the study and the scope of the work.
The second part of the book is devoted to a detailed
description of the methods used in the study. The author
describes the various techniques used to collect and
analyze the data. The third part of the book is devoted
to a discussion of the results of the study. The author
presents the findings of the study and discusses their
implications. The fourth part of the book is devoted to
a conclusion and a summary of the work. The author
presents his final thoughts on the subject and
suggests areas for further research.

whose volume of traffic enabled them to exert pressure on the railways. The small shippers, who were not in a position to enforce demands for rebates, had to pay higher freight charges than their large competitors.

It is submitted that the remedy of reparations is a remedy far too drastic to be warranted by the showing of those who propose it. The fantastic extent to which demands for reparation can be carried is shown by applications recently filed with the Interstate Commerce Commission on behalf of the United States Government, in which reparation estimated to amount to between two and three billion dollars is asked for on traffic that moved during World War II. These applications are being opposed by many shippers' organizations in the United States, who contend that the granting of such reparation would bankrupt many of their railroads, would result in materially increased freight rates, and would make it impossible for the railways to provide the facilities necessary to meet the transportation needs of their country.

The witness Brown, appearing for the Canadian Manufacturers' Association, was aware of the fact that reparations cases now pending before the Interstate Commerce Commission on behalf of the United States Government involve sums of money sufficient to bankrupt the major carriers. (See page 5907 of the transcript).

THE CHAIRMAN: We will adjourn until to-morrow morning.

(The Commission adjourned at 4.30 p.m. to meet again Thursday, February 16, 1950, at 10.30 a.m.)

A.R.

Canada
ROYAL COMMISSION
ON
TRANSPORTATION

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ROYAL COMMISSION ON TRANSPORTATION

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ROYAL COMMISSION ON TRANSPORTATION

OTTAWA, ONTARIO
THURSDAY
FEBRUARY 16, 1950.

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C.F.H. Carson, K.C.	}	Canadian Pacific Railway
F.C.S. Evans, K.C.		
I.D. Sinclair		
C.D. Shepard)	Province of Manitoba
M.A. MacPherson, K.C.	)	Province of Saskatchewan
J.J. Frawley, K.C.	)	Province of Alberta
F.D. Smith, K.C.	)	Province of Nova Scotia; Transportation Commission of the Maritime Board of Trade
J. Paul Barry	)	Province of New Brunswick
C.W. Brazier	)	Province of British Columbia
F.R. Hume	}	Canadian Automotive Trans- portation Association
M.L. Rapoport		

Ottawa, Ontario,
Thursday, February 16, 1950

MORNING SESSION

C. E. JEFFERSON, RECALLED

EXAMINATION BY MR. CARSON (Cont'd)

Q. Mr. Jefferson, you were reading last evening from the part of the Canadian Pacific submission dealing with the subject of reparations, and you had read to the bottom of page 115. I think you planned to read from page 116. Would you resume your reading from 116, please?

A. Yes, sir.

One further matter which distinguishes the United States conditions from those obtaining in Canada is the fact that there are in the United States numerous connecting railroads in competition with one another. These railroads tend, by combining together, to create a large number of alternative routings. Under the law in the United States, the rate applicable via the various routings is determined by a rule which prescribes that the rate may not exceed that obtaining by the shortest route over which the traffic can be moved without a transfer of lading. It therefore follows that there may well be rates published over many different routes and that the railroads in publishing such rates may overlook the lowest combinations of rates available to the shipper. A large shipper with an active traffic organization may, in such circumstances, in many cases discover lower combinations of rates by other routes. Having discovered such a lower combination only after considerable traffic has moved, a shipper under the practice in the United States becomes entitled to have reparation if he can

OFFICE OF THE ATTORNEY GENERAL
WASHINGTON, D. C.

MEMORANDUM

TO THE ATTORNEY GENERAL

FROM THE DEPARTMENT OF JUSTICE

SUBJECT: [Illegible]

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establish that a lower applicable combination has in fact been found.

No such condition exists in Canada. In relatively few instances are more than two railway companies involved in a through movement and the alternative routings are in many cases not available. Moreover, there is no such rule in Canada as that referred to by which the lowest combination over any route is to prevail although the suggestion has been made to your Commission that such a rule ought to be adopted. The position on this question will be discussed in another section of this submission.

COMMISSIONER ANGUS: Could that argument not be used both ways? It might be used to show that reparations create difficulties in the United States which would have no counterpart if reparations were given in Canada because this particular type of reparation could not arise in Canada.

MR. CARSON: I would think so.

THE CHAIRMAN: Please tell me this. Perhaps we have heard it already. What happens in the United States? The Commission orders the payment of the reparations?

THE WITNESS: Yes, sir. The machinery is this, that an application to the Commission is made by a shipper for reparation, and in granting reparation, if it is granted, the Commission issue an order permitting the payment.

THE CHAIRMAN: Q. An order on the railway to pay the shipper so much money?

A. Yes, sir.

Q. Is that order enforceable as if it were a

1. The Committee has received information that the Government of the United States has been providing military assistance to the Government of the Republic of China in the form of arms and ammunition.

2. The Committee has also received information that the Government of the United States has been providing military assistance to the Government of the Republic of China in the form of training and technical assistance.

3. The Committee has also received information that the Government of the United States has been providing military assistance to the Government of the Republic of China in the form of intelligence and information.

4. The Committee has also received information that the Government of the United States has been providing military assistance to the Government of the Republic of China in the form of financial and economic assistance.

5. The Committee has also received information that the Government of the United States has been providing military assistance to the Government of the Republic of China in the form of personnel and services.

6. The Committee has also received information that the Government of the United States has been providing military assistance to the Government of the Republic of China in the form of equipment and supplies.

7. The Committee has also received information that the Government of the United States has been providing military assistance to the Government of the Republic of China in the form of transportation and communication.

8. The Committee has also received information that the Government of the United States has been providing military assistance to the Government of the Republic of China in the form of medical and health services.

court order?

MR. EVANS: Certainly if it is not it could be sued on. I think it is a direct order of the Commission to pay, and I think they are always paid.

MR. CARSON: I shall have to have that looked up, Mr. Chairman.

THE WITNESS: If reparation is authorized it should work both ways. For example, if an increased rate is suspended and subsequently found to be reasonable, the railways should be authorized to collect, and shippers required to pay, charges on all shipments that moved during the period of suspension on the basis of the increased rate which the Board finds to be reasonable.

MR. CARSON: Q. Is there another part of this subject you wanted to read from the brief on?

A. I was going to read the last paragraph on page 117.

In practice, legislation giving the right to reparations is open to many abuses. For example, certain Freight Claim Bureaux undertake the checking of freight expense bills and the bringing of claims for reparations in consideration of a percentage of the amount recovered from the railways. All the unsavoury aspects of champerty arrangements are implicit to these activities and should not be encouraged at the expense of the railways and the users of their services who must in the final analysis pay the over-all costs of the railways.

COMMISSIONER ANGUS: Q. Was there not one suggestion in connection with reparations in Canada that has not been explicitly dealt with, a suggestion that they might go back merely to the date at which the complaint was made to the board that the rate was unreasonable?

March 1961

Mr. [Name] is [Title] at [Address]

Dear Mr. [Name]:

I am writing to you regarding [Topic]

As you know, [Detail]

I am sure you will find this [Detail]

I am sure you will find this [Detail]

I am sure you will find this [Detail]

I am sure you will find this [Detail]

I am sure you will find this [Detail]

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I am sure you will find this [Detail]

I am sure you will find this [Detail]

I am sure you will find this [Detail]

I am sure you will find this [Detail]

I am sure you will find this [Detail]

Sincerely,

[Signature]

[Title]

[Address]

[City]

[State]

[Zip]

[Phone]

[Fax]

[E-mail]

[Web]

[Social Media]

[Other Contact Info]

[Closing Remarks]

[Final Remarks]

A. That, I suppose, would depend on the legislation, if there was any legislation, how far back they would permit.

Q. But would not many of these evils that may exist in the United States be excluded if the reparations merely went back to the date at which the shipper challenged the rate?

A. Yes, but that would not meet what the shippers are asking for because when the application for reparation is made the shipment may have ended, and there would be no use in the application for reparation. They want reparations on a past shipment prior to the date of the application.

Q. Yes, and I see this is an answer to that?

A. Yes, sir.

Q. And then they have a sort of second request, that if we may not have reparations for past shipments may we have reparation merely as from the time at which we challenged the rate. Is there an answer to that?

A. I suppose the answer to that would be that on complaint to the Commission that a rate is unreasonable and the commission found the rate unreasonable and ordered a reduction in the rate, and three months or six months elapses from the date of the application to the Board and the date of the Board's decision, that it would be for that period only.

Q. Would you object to reparations on that basis?

A. I would object to reparations on that basis on the same grounds, that if we filed a tariff increasing a rate and a shipper or some organization applies to the Board for the suspension of the increase, and the Board may take three months, six months or a year in determining

whether the increase should be applied, and we would not get the increase for the time that it was under suspension.

Q. You would say this should work both ways?

A. Yes, sir.

Q. But if it were established and worked both ways would that be bad?

A. I think that would be unsatisfactory to the public too because they only want it to work one way.

Q. A good many of the witnesses on cross-examination said they were prepared that it should work both ways?

A. Yes, that is true; there were two or three witnesses who said that.

MR. CARSON: Q. Now, the next part of the brief deals with the long and short haul rule commencing at page 118, and I believe you want to read from there down to page 126, Mr. Jefferson?

A. Yes, sir.

THE LONG AND SHORT HAUL RULE

Part I of this submission contains a statement of the position of Canadian Pacific in relation to this question. However, in view of the extensive submission made by the Province of Alberta on this subject the following additional submissions are made by Canadian Pacific.

Alberta's brief consists of 151 pages, supported by a schedule containing rate comparisons involving 119 additional pages. As indicated in Part I of this submission, Alberta renews before your Commission the complaint it has made over the past many years and which was more particularly dealt with in the general freight rates investigation. Reference is again made to the judgment of the Chief Commissioner in 33 C.R.C. 127 and to

which, in the event of a trial, it would be

the only one which would be available

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THE PUBLIC AND THE PRESS

It is a well-known fact that the public

is not interested in the details of the

proceedings, but in the result of the

proceedings, and it is the duty of the

press to provide the public with the

information which they require

in order to form their own opinion

of the merits of the case, and it is

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public with the information which they

require in order to form their own

opinion of the merits of the case

and it is the duty of the press to

provide the public with the information

the passage at page 135 of that judgment. The quotation referred to appears on pages 91 and 92 of Part I of this submission.

At the outset, Canadian Pacific points out that the submissions made by Alberta in its brief can avail nothing unless Alberta can establish that the rates to Alberta points are in themselves unjust and unreasonable. That is to say, whether the rule adopted in the United States is applied in Canada or not, the right of the intermediate point to have the benefit of the competitive rate must in the last analysis depend upon the reasonableness of the existing rates to the intermediate point. The only real difference between what Alberta advocates and what is now the law in Canada with certain minor exceptions to which attention will be drawn, is that a prior application must be made to the Interstate Commerce Commission for what is called fourth section relief. In the United States, the rule is that unless this relief be given, the competitive rates must be applied to the intermediate point. This does not mean that the competitive rate must inevitably be applied to the intermediate point. It means that an application must be made by the railways for relief, or else that rule will apply.

Before dealing directly with the matter, the attention of your Commission is drawn to the schedule of rates filed by Alberta in support of its brief. First, the rates included in the schedule do not reflect the increases made in competitive rates on 15th September, 1948, and subsequent changes in these rates. (See pages 90-93 inclusive of Part I of this submission.)

Secondly, the reduction in rates brought about

by the elimination of the mountain differential pursuant to order of the Board of 23rd April, 1949, are not reflected in the schedule.

The importance of this is that the position with regard to the difference between the rates at the intermediate points and the competitive rates which are the subject of Alberta's complaint, has materially changed. The number of cases in which the rate to Vancouver is lower than the rate to Calgary, for example, has been substantially reduced. Moreover, there are not to-day any instances in which the sum of the rates from eastern Canada to Vancouver and from Vancouver to Calgary is lower than the rate from eastern Canada to Calgary.

There I would like to say that the last sentence of the paragraph which I have just read is not correct to-day.

THE CHAIRMAN: Q. What is that?

A. Pardon?

Q. Would you please repeat what you have just said?

A. Yes, sir. I said:

"Moreover, there are not today any instances in which the sum of the rates from eastern Canada to Vancouver and from Vancouver to Calgary is lower than the rate from Eastern Canada to Calgary."

MR. CARSON: He is going to add something now.

THE WITNESS: This statement, though accurate when written, is now inaccurate due to changes in rates since our brief was written. There are now about ten instances where the transcontinental rate to Vancouver plus the rate back is lower than the rate to Calgary. Mr. Harries pointed this out to the Commission at page 12044 of the transcript.

The object of the present paper is to present a summary of the results of the investigation of the properties of the various forms of the function $f(x)$ which are defined by the recurrence relation $f(x) = f(x-1) + f(x-2)$ for $x \geq 3$, and $f(1) = 1$, $f(2) = 1$. The function $f(x)$ is known as the Fibonacci function, and the sequence of its values is known as the Fibonacci sequence. The results of the investigation are as follows: (1) The function $f(x)$ is an integer for all positive integers x . (2) The function $f(x)$ is a periodic function of x with period 6. (3) The function $f(x)$ is a symmetric function of x with axis of symmetry $x = 3$. (4) The function $f(x)$ is a concave up function of x . (5) The function $f(x)$ is a concave down function of x . (6) The function $f(x)$ is a function of x which is not a polynomial.

THEOREM 1. The function $f(x)$ is an integer for all positive integers x .

Proof. We shall prove this theorem by induction on x . For $x = 1$ and $x = 2$, the function $f(x)$ is an integer, since $f(1) = 1$ and $f(2) = 1$. Assume that the function $f(x)$ is an integer for all positive integers x less than n . Then for $x = n$, we have $f(n) = f(n-1) + f(n-2)$. Since $f(n-1)$ and $f(n-2)$ are integers, their sum $f(n)$ is also an integer. Therefore, the function $f(x)$ is an integer for all positive integers x . Q.E.D.

THE CHAIRMAN: Q. There are about ten cases where the combined rates are lower than the straight rate to Calgary?

A. That is right, yes, sir.

COMMISSIONER ANGUS: Q. In these instances is the shipper to Calgary allowed the benefit of the combined rates?

A. Yes, sir. He ships a car direct to Calgary and we do not charge him higher than the rate to Vancouver and back to Calgary.

THE CHAIRMAN: Q. You do not charge him higher?

A. Yes, sir.

Q. You have just said the combined rates are higher than for the shipment which stops at Calgary. You have just said that the combined rates are lower rather than for the shipment which stops at Calgary?

A. That is right, to Calgary, but in practice we do not charge him more for a shipment to Calgary than the rate to Vancouver and back to Calgary.

Q. You charge him the same thing, do you, as the two shipments would amount to?

A. I will give you an illustration with hypothetical rates. We will say the rate from Montreal to Calgary is \$1.50, and the rate from Montreal to Vancouver was \$1, and from Vancouver to Calgary was 40 cents, making a total of \$1.40. We would not charge on a shipment from Montreal to Calgary in excess of the \$1.40.

MR. FRAWLEY: Q. It depends on the minimum. You will say something about what happens when the minimum is different?

A. When the minimum is different --

Q. The minimum must be the same to have the case which you have just instanced apply?

A. Well, if the minimum to Vancouver was higher than the minimum to Calgary --

MR. EVANS: You mean minimum weights?

A. Yes, minimum carload weights -- then the car would require to be loaded to the weight of the minimum to Vancouver. I will give you an illustration of that; if the minimum to Calgary was 40,000 pounds and the minimum in Vancouver was 70,000 pounds, the car to Calgary would require to have 70,000 pounds. Does that answer your point, Mr. Frawley?

MR. FRAWLEY: Oh yes, that means the 70,000 pound minimum car would be hauled to Vancouver and then the same 70,000 pounds would have to be hauled back to Edmonton to enable him to obtain the cheap rate?

A. We would not haul it to Vancouver.

Q. But that situation would have to exist before you would give him the combination of the rates?

A. Well, I want to be clear on that now. If you wanted the car from Montreal delivered at Calgary, when it reached Calgary you would have to have 70,000 pounds in the car, and the rate to Vancouver and the rate from Vancouver to Calgary would be protected without taking the car to Vancouver and back. But if a man shipped a 70,000 pound car from Montreal to Vancouver and it went right through to Vancouver and then he wanted 40,000 pounds of that car in Calgary, he could ship the 40,000 pounds back from Vancouver to Calgary and still get the \$1.40 rate. Is that clear, Mr. Frawley?

Q. Yes, that is clear, Mr. Jefferson.

A. At Page 111 of Alberta's brief, the following statement is made:

"We submit that this Commission should recommend that long-and-short-haul discrimination in Canada be prohibited subject to the provision that the Board upon formal application of the carrier seeking to practice long-and-short-haul discrimination, after hearing may allow such discrimination provided that the carrier satisfies the Board that:

1. There is active and compelling competition at the competitive point which is beyond the control of the applicant carrier and such competition is absent at the intermediate point.
2. The rate which is proposed for the competitive point more than covers the additional expense incurred by the traffic to which it applies.
3. The rate to the intermediate point is just and reasonable.
4. The rate to the competitive point is not lower than necessary to meet the competition.
5. The carrier can show a reasonable expectation of improved net earnings as a result of charging the competitive rate."

It is important to examine the five principles which Alberta submits should be applied in measuring the propriety of the transcontinental competitive rates.

As to the first of these, that there should be active and compelling competition at the competitive point, Canadian Pacific points out that Alberta has overlooked the fact that potential, as well as active

competition is recognized by the Interstate Commerce Commission (see 218 I.C.C. 106 at p. 110 and 208 I.C.C. 327). Apart from that, the principle applied in Canada in measuring the propriety of competitive rates is identical with that suggested by Alberta.

As to the second principle, that the competitive rate should more than cover the additional expense incurred by the traffic to which it applies, this also is a principle not only recognized by the railways, but which must inevitably be recognized by the Board of Transport Commissioners in determining whether competitive rates are compensatory or are unreasonably low.

As to the third principle, whether the rate to the intermediate point is just and reasonable, this is the cornerstone of the Judgment in the general freight rates investigation and can be taken to be the law in Canada.

As to the fourth principle, it is implicit in the Railway Act that the competitive rate must not be lower than is necessary to meet the competition. There can be no doubt that on complaint, the Board under its existing powers, could disallow any rate which did not measure up to that yardstick.

As to the fifth principle advocated by Alberta, that the carrier must show reasonable expectation of improved net earnings, this matter is also a principle recognized both by the railways and by the Board in Canada. In fact, it is really a duplication of the second principle, in that unless more than out-of-pocket expenses are obtained, there could be no expectation of improved net earnings.

THE CHAIRMAN: Do we get back to this situation, Mr. Jefferson, that the real difference between what exists

now and what Alberta is asking for is that the railway be not allowed to publish a competitive rate until it has first obtained the authority of the Board?

A. That is right.

Q. That is the real difference?

A. Yes, sir.

MR. FRAWLEY: I think you have to add "competitive rate which violates the long-and-short-haul rule". I take it that is what your lordships means?

THE CHAIRMAN: Yes, that is what we are dealing with.

THE WITNESS: The foregoing make it clear that apart from recognition of potential competition, which Canadian Pacific believes must have recognition, the principles laid down by Alberta do not differ from the principles recognized as proper under the present law in Canada. It follows that the only real difference between Albert's proposal and those recognized in Canada is as to whether or not it is proper or desirable that there should first be an application to the Board for relief against applying the competitive rate to the intermediate point, or whether the matter be left open to be dealt with only on complaint.

COMMISSIONER INNIS: Has the Interstate Commerce Commission given any indication as to what they mean by "potential"?

MR. EVANS: Yes, Doctor Locklin's book contains a discussion on that subject.

COMMISSIONER INNIS: Is that a source of great authority?

MR. EVANS: No, more or less a factual discussion in the sense that it refers to what the Commission has found.

You will remember during the cross-examination of Doctor Locklin I asked him about that very thing and referred him to the section of his book and he said that the Commission had found that the prohibition against so-called potential competition was rather too rigid and they had given it all very generous application with the result that I think the test was whether the conditions were such that the competition would be there readily at any moment.

MR. FRAWLEY: Mr. Harries' evidence states our
clearly
case very/and it is quite contrary to what Mr. Evens has just said. We have gone to some trouble and unfortunately I have not got Mr. Harries' evidence and perhaps it would not be proper to take time out and argue it but I do not want the moment to pass with anyone thinking that because I am silent I accept what Mr. Evans says about Dr. Locklin's evidence.

MR. EVANS: You do not agree with his evidence or with me?

MR. FRAWLEY: I do not agree with your interpretation of it.

MR. CARSON: Mr. Frawley, our witness is giving evidence. There should not be so much interruption.

THE WITNESS: While it may be argued by Alberta that there is a very great difference in this respect between the law in Canada and the law in the United States, the following points must be considered. First, Alberta has complained against the failure to apply the transcontinental competitive rates to Alberta points for many years and the Board has rejected such complaints on the ground that Alberta has failed to show that the existing rates to the intermediate points are unjust and unreasonable. It follows that Alberta would have no

assurance of any greater relief merely because the law should be changed to require the railways first to go to the Board. Alberta has been to the Board and the Board has adjudicated upon its complaint. Secondly, if it were necessary first to go to the Board and establish that the competitive rates are compensatory Alberta could not automatically obtain the benefit of those rates at the intermediate points where the competition did not exist. It follows that it is important to determine whether there is any prima facie likelihood of the present transcontinental rates being at a level below that which is compensatory. In Part I of this submission and in the Appendix to Part I examples of eastbound and westbound transcontinental competitive rates are shown. Further examples of the car mile and ton mile earnings on commodities specifically mentioned in Alberta's brief (See figures 1 to 12 on pp. 24 - 35 of that brief) are contained in Table I attached to this section of Part II of this submission. With two exceptions, the car mile earnings on these commodities at the existing transcontinental competitive rates are in excess of the system average car mile revenue of Canadian Pacific for the year 1948, which was 35 cents per car mile. Indeed the car mile earnings shown on Table I range as high as 51.7 cents per car mile. Table I also shows that there are only two instances in which the ton mile earnings are below the system average for 1948 of 1.13 cents per ton mile. Both these examples are shipments of canned goods in which the car mile earnings are 34.1 cents and 36.4 cents respectively. Now that information is shown on Page 127.

Q. Page 127 of this book, Part II?

A. The statement at Page 127 I think speaks for

itself and the commodities taken are those shown in Figures 1 to 12 of the Alberta Submission.

Q. Those are set out in the Alberta Brief in the transcript at Page 11737.

(Page 15491 follows)

When it is borne in mind that these are very long hauls, Canadian Pacific could have justified lower car mile and ton mile earnings than the system average, if there was a necessity to do so and still have had rates which are compensatory.

Canadian Pacific draws to the attention of your Commission the references to decisions of the Interstate Commerce Commission appearing in Alberta's brief commencing at p. 143 and continuing to p. 146, in which it would appear that that Commission has held to be compensatory, rates yielding much lower rates per car mile and per ton mile than the rates on the commodities listed in the Table above referred to. As pointed out at p. 94 of Part I of this submission, the differences between rates found compensatory by the Interstate Commerce Commission in the years in which those findings were made, and the existing Canadian rates are sufficiently great to warrant the conclusion that even with the change in operating costs which has occurred over the past few years, the present transcontinental rates referred to in the Table would have been held to be compensatory by the Interstate Commerce Commission. That this is so can be seen from the most recent case available. This was an application for fourth section relief, Case No. 22535, Interstate Commerce Commission Supplemental fourth section Order No. 15696 of April 16, 1947 in which the Commission granted relief with the qualification that it was not to apply to rates over routes which would yield

less than 18¢ per car mile.

It follows that even if it were necessary for the railways to go to the Board of Transport Commissioners in advance of establishing these rates, the regulation proposed by Alberta would probably result in no different level of transcontinental rates than exists today. This is, of course, subject to the single exception in that Alberta does not recognize the validity of potential competition.

It follows also that as stated in the opening part of this section of the submission of Canadian Pacific, the real question to be determined is whether there is anything to be gained by requiring the railways first to make application to the Board before establishing these rates.

If Alberta's proposal is given effect to, the Board would merely call upon the railways to satisfy it that the competition required the rate to be established; that the rates were compensatory; that the competition did not exist at the intermediate point; and possibly that the existing rates at the intermediate point were in themselves just and reasonable.

On this, Canadian Pacific makes the following submissions:

First, the adoption of such legislation for transcontinental competitive rates would inevitably mean the adoption of the same principles for all competitive rates throughout Canada. The importance of this is apparent when one considers the large number of these competitive rates and the delay and

expense which would be entailed if each of them required prior approval of the Board of Transport Commissioners. It may be pointed out here that when the law came into effect in the United States there were more than five thousand applications for fourth section relief within the first six months after the law took effect. See report on Interstate Commerce Commission Activities 1887-1937 p. 97.

Secondly, the delay involved in first having to make application to the Board for so-called fourth section relief, would deprive the railways of the right to quote rates in advance^{and} of the right to meet promptly the competition of other carriers. In many instances railways today are required to act quickly if their revenue interests are to be fully protected. If the traffic is once lost to the competing carrier, it may well be lost for some time, or even permanently.

Thirdly, there is much short line competition between railways and the rule would have to be applied to all cases where railways endeavour to establish rates to meet such competition. This would add greatly to the delay and to the number of cases which would be brought before the Board. Moreover, the necessity for making such applications, even though they should ultimately be granted in every case, would prevent competing railways from having their rates at all times on a parity with one another. The only effect of this would be to take away revenue from a competing railway, but it would not prevent the shipper between origin and

destination receiving the benefit of a lower rate, which would not be available to the intermediate point on the line of the competing carrier. Similar results would be obtained in connection with competitive rates to meet market competition such as rates to permit Canadian producers to meet the competition from United States, or other foreign countries, where the railways desired to establish rates to enable the Canadian producers to meet such competition.

Fourthly, the provisions of Section 314 of the Railway Act and other sections of that Act are in the opinion of Canadian Pacific greatly to be preferred to the provisions of Section 4 of the Interstate Commerce Act. The shipping public have complete protection, while at the same time, the railways have a maximum freedom in the ratemaking process.

Fifthly, Canadian Pacific points out that there would be a strong probability that the matter would not end at making the competitive rate applicable as maximum to the intermediate point but would involve demands for proportionate reductions at other intermediate points of lesser distance. For example, if the competitive rate were \$1.00 and the normal rate to, say, Calgary were \$1.50 and the normal rate to Regina were also \$1.00, the probability is that Regina would demand a proportionate reduction in its rate based on its distance relationship with Calgary.

In summary it may be said that the procedure proposed by Alberta is inconsistent with the fifth

principle which it enunciates, namely, that the carrier must show a reasonable expectation of improved net earnings to justify the competitive rate. This is because, if the railways are not to be permitted to meet competition promptly, they will be deprived of revenue at least during the period during which their applications are under consideration by the Board. No doubt Alberta and many other interested parties throughout Canada would require to be notified and it may be expected that a delay of at least a month or so would be the minimum experienced. It would be difficult in these circumstances to see the advantage to be gained if the railways had to forego large sums of revenue for such a period. In many cases traffic might be lost inevitably and there would in the result, be no benefit to the shippers or consignees at intermediate points.

It must be recognized that in most cases, the relief would be granted against the application of the competitive rate to the intermediate point. That has been the experience in the United States and the delay and expense attendant upon this procedure would therefore be of no benefit to the intermediate point. Moreover, while the intermediate point might in rare cases obtain the benefit from the application of the competitive rate, the railways would have to consider whether the application of that rate to the intermediate point would seriously affect their revenue position. If they were of that view they could not justify establishing the competitive rate

at all. On the other hand the competitive rate might have to be on a higher basis than was required to meet the competition.

If the railways decided not to establish the competitive rate, the intermediate point would have no benefit but would, in fact, suffer. This is because, assuming the proposed competitive rate to be compensatory, the failure to establish it would mean a net loss in earnings and this loss would be reflected in the whole level of rates including the rates to the intermediate point.

It may be pointed out in conclusion, that the Province of Manitoba does not support the position of Alberta. It may also be concluded, although there are no submissions on the point, that British Columbia would be strongly opposed to Alberta's proposal.

(Page 15497 follows)

MR. CARSON: Q. Now, Mr. Jefferson, do you wish to comment any further on the long-and-short-haul rule, particularly the submission of Alberta?

MR. SHEPARD: Mr. Chairman, just before we proceed, I think I have already been on my feet once in regard to the statement that Mr. Jefferson just read as far as Manitoba is concerned, and I won't repeat it now; but we don't accept that statement and our position is that we are supporting the position of Alberta.

THE CHAIRMAN: You are supporting it? You say you are supporting it?

MR. SHEPARD: That is correct.

MR. CARSON: All right. Now if you have any further comments to make, Mr. Jefferson, would you please make them.

A. The practical matter, the real difference between the provisions of the Interstate Commerce Act on this question and the provisions of the Canadian Act, is that in the United States the railways are required, before establishing a competitive rate without making it applicable to the intermediate points, to apply beforehand to the Commission for relief. On these applications the railways must show that the competition is actual, not merely potential; that the rate is necessary to meet the competition, and that the rate is compensatory. In Canada the position is very nearly the same except that no prior application need be made to the Board. An application, can, however, be made to the Board to disallow a rate after it has been put into effect

upon complaint of any interested person.

Q. What is your view as to the advisability or otherwise of adopting United States practice in Canada?

A. I am convinced that the adoption of the United States practice would work great hardship on the Canadian railways, and at the same time would not afford any substantial additional protection to the shipping public. There would be many hundreds of such applications, and out of those hundreds one cannot conceive of more than a relatively few in which the relief would not be granted. In the United States relief has generally been rejected in regard to transcontinental rates to a greater extent than in the case of other competitive rates, because of the policy of Congress to afford protection to inter-coastal shipping. Canada has never shown any indication of adopting a similar policy. It would thus mean that in order to ensure some minor added protection, the railways would be literally hamstrung in their rate-making procedure.

THE CHAIRMAN: Pardon me, Mr. Jefferson, I understood you to say a few lines up that applications for relief in the United States have been rejected. Do you mean relief applications by intermediate points, is that it? by the railways?

A. By the railways because of the - -

Q. And rejected because of the policy of the United States to protect shipping as well as rail-roading, is that the idea?

A. Inter-coastal shipping, that is, more with

Mr. Jefferson

respect to transcontinental competitive rates.

Q. Yes, I understand.

A. From the east to the west or the west to the east.

COMMISSIONER INNIS: Mr. Jefferson, on page 125 in the paragraph beginning "fifthly" in the second sentence - -

A. What paragraph?

Q. The paragraph beginning "fifthly".

A. Yes, sir.

Q. The second sentence:-

"For example, if the competitive rate were one dollar..."

and so on.

A. Yes sir.

Q. Do you know whether that difficulty developed to an appreciable extent in the United States?

A. Not with respect to transcontinental traffic, no sir, because, as I understand it, in the United States there are not many instances of relief on purely transcontinental business, and they apply the rates that they publish from the east to the west coast to the intermediate points; but in answer to your question, I do recall a case where, (well, it was rather more in reverse) they had a transcontinental commodity rate on iron and steel from Pittsburgh or Chicago to the coast, and they had the same rate from Utah, from Geneva, Utah, to the coast. Because the rate from the east was a competitive rate, they did not think they needed

any lower rate from Utah to San Fransisco, we will
say, than from Chicago.

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(Page 15501 follows)

And shippers at Geneva, Utah, requested the railways for a lower rate than from Chicago or Pittsburgh.

Q. But that is the only case that you can think of?

A. Yes, sir, but the point of this paragraph here is that if the Canadian railways were required in publishing a competitive rate of \$1 to the coast to apply that competitive rate as a maximum, we will say, to Calgary, and the normal rate to Calgary was \$1.50, I cannot see the people in Saskatchewan or Manitoba being willing to pay their full class rate, we will say, until it reaches the \$1 rate to the coast. Saskatchewan would want a proportionate reduction under Alberta, and Manitoba would want a proportionate reduction under Saskatchewan.

COMMISSIONER ANGUS: Q. Has the Board of Transport Commissioners ever disallowed a transcontinental competitive rate?

A. Not that I know of, no, sir.

Q. Has it ever been asked to do so?

A. I cannot recall that it has really ever been asked to do so.

MR. EVANS: I may be of some assistance in this matter. This question bulked fairly large in the considerations which came before the board in the general inquiry in 1925-27, and it was in that case that the Board made its findings that the cases put forward by Alberta were not impressive, and they thought the transcontinental rate structure had definite advantages.

MR. FRAWLEY: The Commission will recall that that judgment extended over fifty or sixty pages, and this matter was disposed of in two paragraphs. Mr. Harries put that on the record.

THE CHAIRMAN: The question is how was it disposed of.

MR. FRAWLEY: That is the consideration that Alberta says they gave to the matter.

MR. CARSON: You never can determine how much consideration a judicial body gives to a matter by what appears in the yardage of the judgment.

MR. FRAWLEY: That is a profound statement.

MR. CARSON: The court would be shocked to be told they had not given consideration to a matter because they disposed of it in two or three paragraphs. It is usually some of the lightest things that can be disposed of --

MR. BARRY: The one word "guilty" means a lot.

MR. CARSON: Q. Would you go on, Mr. Jefferson?

A. As it now stands the transcontinental rate structure has been investigated by the Board on its merits, and it has been established to the satisfaction of the Board that the conditions are such as to justify not extending the transcontinental competitive rates to the intermediate points.

In my opinion, since the Board has so found, the reason advanced by Alberta for changing the legislation in Canada is not a sound one. There is no suggestion that these rates in themselves are not compensatory and in view of the evidence which has been presented to your Commission, there can be no doubt that actual competition exists via the Panama Canal. The only result, therefore, of introducing the American legislation into the Railway Act in Canada would be to impose this great burden on the Canadian railways, since I am convinced that the present transcontinental rates would conform to the principles laid

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down by the Interstate Commerce Commission.

Q. Have you any further observations to make, Mr. Jefferson?

A. Yes, sir. In addition to the transcontinental rates, the railways are continually finding it necessary to publish rates to meet the competition of motor trucks and domestic water lines. If, in order to meet the suggestion of Alberta, the United States rule were established, it would of necessity have to be applicable to the publication of these additional competitive rates in all parts of Canada.

Moreover, the situation as between the Canadian Pacific Railway Company and the Canadian National Railways would be seriously disturbed inasmuch as one or other of the lines would be unable to meet the short line mileage of the other between competitive points without first having to apply to the Board for relief. An example of this is the need of the Canadian Pacific to meet the rates published by the Canadian National between Vancouver and Edmonton and the need of the Canadian National to meet the rates published by the Canadian Pacific between Vancouver and Calgary. There are many similar cases in Canada.

Q. Is there anything else?

A. The only alternative to going through the burdensome procedure of making prior applications to the Board for relief would be for the railways to publish the competitive rate as maximum to the intermediate point. This would result in a serious and unnecessary sacrifice of revenue which might in some cases be so serious as to compel the railways to forego the traffic to the competitive point rather than to break down the rates

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in the intermediate territory. Moreover, if the railways should apply the competitive rate as maximum to the intermediate point, there would be a new discrimination created against other points of equal mileage from the point of origin. This would, in turn, give rise to new questions and new difficulties in rate making.

I am thoroughly convinced as a practical traffic officer that the extent of the discrimination at intermediate points as a result of the publication of competitive rates is greatly exaggerated and in those few cases in which injustice may be found to exist, it is my view that the present machinery of the Act is an adequate protection.

Q I take it, Mr. Jefferson, that if, under the law, you were compelled to carry the competitive rate back to points in Alberta, you would forego the coast business?

A. We could not afford to do otherwise. The loss of revenue to the intermediate points would be too great. This would be harmful to the over-all revenue picture of the Railways.

Q. I notice at page 13081 of the transcript, volume 62, that Mr. Barry expresses the opinion on behalf of New Brunswick in opposition to the amendments drafted by Alberta, with respect to the long and short haul rule that:

"We are quite prepared that there should be some control of the railways, but not to the extent that they will be a prey for any competition that would take all their business from them, by requiring them to fulfil what appear to be the impossible conditions under Section 314-A as proposed, which will only result in another rate application for an

increase, and we have had enough of those already." What have you to say as to that, Mr. Jefferson?

A. I consider that industry in general throughout Canada would not be in favour of depriving the railways of the right to meet promptly unregulated competition without the necessity of complying with regulations which might result in breaking down their rates from or to intermediate points. The principal complaints appear to be from some consignees in Alberta who seem to think that the proposed change in the long and short haul rule will obtain for them lower rates than are now being charged.

The fact is, as the Board has already found, no one in Alberta is seriously prejudiced by the transcontinental rates. This is because the rates are compensatory; they are required to meet the competition and because the rates to the intermediate points in themselves are reasonable.

Furthermore, the competitive transcontinental rates published by the railways are generally higher than the rates applied by the water lines, including terminal charges at the ports. This should be of some benefit to Alberta.

Q. Mr. Harries, a witness for the Province of Alberta, in examination by Mr. Frawley, commencing at page 11875 of Volume 61 of the transcript, made several statements with respect to the application of eastbound transcontinental rates as maxima at intermediate points. Have you any statements which you would like to make respecting Mr. Harries' evidence on that subject?

A. Mr. Harries indicated at page 11877 that the carriers are now applying the eastbound transcontinental rates from British Columbia coast ports to Montreal and

Toronto as maxima to intermediate points in western Canada on such commodities as tea, canned goods and canned salmon. This is not correct.

THE CHAIRMAN: Q. Tea and what else?

A. Canned goods and canned salmon.

Q. Why do you distinguish between canned goods and canned salmon?

A Canned goods are canned peaches or tomatoes or peas, and so on.

MR. CARSON: Q. You say what Mr. Harries indicated is not correct?

A. Yes, sir. All import shipments of tea, for example, both the less than carload and carload rates to Calgary are the class rates of first class and third class respectively. To Regina and Winnipeg, the Winnipeg rate on the boundary (Noyes) combination is applied on both less than carload and carload shipments. At the present time the less than carload rates to Toronto and Montreal are lower than the rate to Winnipeg. In fact, they are at present below the New York rate which rate is customarily applied. In the case of carload shipments the rate to Toronto and Montreal is higher than the rate to Winnipeg and Regina and is in fact the New York rate.

On shipments of canned goods from British Columbia coast points the rates to Calgary are equal to the fifth class rates. To Regina the rate for carload minima of 24,000 and 40,000 pounds is 5th Class while for a minimum of 60,000 pounds the Winnipeg rate is applied. To Winnipeg the rate for minimum of 24,000 pounds is Fifth Class while for minima of 40,000 and 60,000 pounds the boundary (Noyes) combination is applied. To

Toronto and Montreal the rate for a minimum of 24,000 pounds is Fifth Class; for minimum of 40,000 pounds the rate is much higher than to Winnipeg. The rate to Toronto and Montreal for a minimum of 70,000 pounds is much less than the rate to either Winnipeg or Regina which rate is made necessary by reason of water competition and is not applied as a maximum to any intermediate points.

At the present time there are 54 commodity items naming eastbound transcontinental rates from British Columbia coast points to destinations in eastern Canada. In no instance has the Montreal and Toronto rate been applied as a maximum to intermediate points Winnipeg and west.

Q. The next subject that you are to deal with is that of industrial location and the rate structure which is to be found in the Canadian Pacific submission, Part II, commencing at page 128 and continuing for some pages. I think you would like to read this chapter and explain the tables?

A. Yes, sir.

Q. I see the chapter ends at page 132, and the tables are on pages 133 and 134?

A. That is right. This chapter is entitled, "Industrial Location and the Rate Structure."

The only province making detailed submissions on this subject is the Province of Alberta. The position is that as between rates on raw materials and finished products, rates should either be purely 'passive' or should encourage location of processing plants near the point of production of the raw material. Alberta also recommends that when processors or manufacturers

feel that the relationship between the rates on the raw material and the finished product adversely affect them, they should be able to apply to the Board for relief.

THE CHAIRMAN: Q. No doubt the Alberta case shows us what is meant by the word "passive", but would you recall it to me, Mr. Jefferson, please?

A. Pardon?

Q. You say:

"The position taken is that as between rates on raw materials and finished products, rates should either be purely 'passive'" --
I refer to the word "passive."

MR. CARSON: Q. Do you happen to know where that is found in the Alberta statement?

THE CHAIRMAN: Q. What does it mean?

A I do not know just what --

MR. EVANS: I think it is "neutral."

THE CHAIRMAN: It is the equivalent of the word "neutral."

MR. FRAWLEY: The meaning we give to it is that we should not discourage.

THE CHAIRMAN: You used the word "neutral" quite a lot.

MR. FRAWLEY: That is right, sir.

THE WITNESS: The Board, it is suggested, should have the necessary power to revise rates to carry out what it considered to be the proper policy of encouraging industrial location.

Alberta refers in this volume of its brief to examples of the rates on raw and processed commodities. These include the movement of livestock and the products of packing plants; the movement of crude oil and the products of the refining process; the movement of

sugar beets and of the refined sugar; and the movement of wheat and of wheat flour.

COMMISSIONER INNIS: Q. Mr. Frawley would disagree with the phrase "should encourage location." You insist it should be "should not discourage location."

MR. FRAWLEY: That was the case we put to the Commission, yes, sir.

MR. EVANS: The brief does not put it that way. The brief says it should be either passive or neutral or should encourage in the alternative.

MR. FRAWLEY: I do not know what my friend means by that. We stated the position in our brief; we came and were subject to cross-examination and examination in chief, and this is what we explained we meant when we used the words in our brief, that it should not discourage.

THE CHAIRMAN: I think you said that industrialists in looking for a location should not have to consider freight rate questions at all.

MR. FRAWLEY: I recall very well what the professor said to you. When you put that to him he said he could not possibly express it any better or as well as that. That is the crystallization of our case in this matter.

THE WITNESS: Canadian Pacific interprets Alberta's position to be that the rates on processed materials should be so adjusted in relation to the rates on raw materials as to permit the location of the processing plant as near as may be to the source of production of the raw material or alternatively that the rate should be so arranged as to encourage that result. Moreover, as Canadian Pacific interprets the submission, the desire of Alberta is to enable the Board to do a

considerable amount of economic planning in manipulating the rate structure.

As to this argument, Canadian Pacific submits that it is a generally recognized principle that rates on raw materials should be lower than rates on manufactured products. This is fundamental to an acceptance of the value of service principle in rate making.

COMMISSIONER INNIS: Q. You would not go so far as to say that rates on raw materials must be lower?

A. I would not go so far as to say they must be, but they usually are. You may find some instances where with a raw material in the sense it is used as a raw material the rate may be higher than on the finished product, but generally speaking rates on raw materials are always lower than on the finished product.

Q. But you would not say that they must be?

A. No, sir.

Q. I should think it would come pretty near that in actual practice?

A. In practice, yes, sir.

Quite obviously the raw materials tend to have lower value and therefore a lesser ability to pay transportation costs than have the finished products. This principle has long been recognized by the Board of Transport Commissioners, by the Interstate Commerce Commission and by writers on the subject. Alberta in effect desires to change this in the hope that by providing additional powers to the Board with suitable directions to it, the location of industry in Alberta can be encouraged and increased. One assumes that this can be done in one of two ways. That is to say, either raising the rates on raw materials or reducing the rates on manufactured products.

It may be said here that the rates on low grade commodities in Canada are generally so low that it would be disastrous to the revenues of the railways, to reduce the rates on finished products to anything nearly approaching parity with the rates on raw materials. It follows as a practical matter, that the alternative would be to raise the rates on raw materials. If this were done, it would be difficult to make the changes in such a way that serious disturbance to existing industry could be avoided. In this connection Canadian Pacific submits that Alberta's analysis of the question seriously under-rates the importance to manufacturing plants of a location near the concentrated markets. The pressure on industry to locate near these markets is not only due to the need for saving transportation costs on the finished product, but also to other costs of distribution, as well as to the need for having the product reach the market as quickly as possible after manufacture, as for example, fresh meat. While there are always exceptions to this principle, it is something which must be borne in mind and it cannot be said that transportation cost alone is the influencing factor.

The laid down cost of the manufactured product will probably be lower if the factory is close to the area of the greatest concentration of its market.

The fact that wages and interest costs are approximately the same in Alberta as elsewhere in the country, and that electric power costs in Edmonton are below those in Toronto, indicates that the concentration of industry in the Toronto area is brought about by the attraction of the concentrated market. It may also show that since wage rates in Alberta seem generally to be at or above the national level, the attraction to

industry of a location in Alberta as compared with a position in Eastern Canada nearer to their principal markets, would not be sufficiently strong.

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Canadian Pacific points out that the forces operating to produce the result of which Alberta complains are complex and that short of economic planning of the broadest kind, it would be difficult, if not impossible, to bring about the result desired by Alberta. The extent to which this plan would have to go if it were limited to railway rates, might have serious consequences upon the revenue of the railways and would most certainly have serious consequences on existing industry.

With regard to Alberta's example, of the rates on livestock as compared with the rates on dressed meats and packing house products, Canadian Pacific makes the following submissions. It believes that the rates on livestock are low and should be lower than the rates on packing house products. It would, in the opinion of Canadian Pacific, be impossible to raise the rates on livestock to a sufficiently high level to bridge the difference without inhibiting the movement of livestock to existing plants. For the information of the Commission, two tables will be found at the end of this section of Part II, that is, Tables 133 and 134.

Table I at Page 133 deals with the movement of cattle and hogs while Table II on Page 134 deals with movements of dressed meats and packing house products. The rates per car per mile and per ton mile are also shown on these tables.

Attention is directed to the fact that the average loading of livestock tends to be considerably lower than the average loading on dressed meats and packing house products and that the car mile earnings on livestock appear to be lower than might be considered compensatory. On the other hand, the rates on dressed

meats tend to be on the average somewhat lower than the system average of the car mile earnings. The car mile earnings on packing house products, on the other hand, are somewhat higher than the system average of 35 cents per car mile.

As regards ton mile earnings, such earnings on livestock tend to be slightly higher than the system average but are somewhat lower than the ton mile earnings on dressed meats and packing house products.

COMMISSIONER NNIS: What is the difference between dressed meats and packing house products?

A. Dressed meats are really fresh meats and packing house products are the cured meats.

MR. CARSON: Did you want to look at those tables on 133 and 134, Mr. Jefferson?

A. Well, the Table at Page 133 shows the rate on cattle and hogs from Winnipeg, Moose Jaw, Calgary and Edmonton to Montreal and Toronto. We have shown the distances and the rates, minimum carload weights and the average loading weights and the earnings per car mile and earnings per ton mile. Of course, where the statement shows that the average loading weight of hogs is 14,500 pounds, the earnings are figured on the minimum carload weight of 16,000 pounds but the statement shows the low earnings per car mile on livestock which runs from a low of 9.8 cents per car mile to a high of 18.8 cents.

Now, Table II on Page 134 contains similar information for dressed meats and packing house products and unless there is some question I think it explains itself.

Q. Now, will you continue on Page 131?

A. Canadian Pacific points out that if Alberta's suggestion is accepted, the rates on livestock would have to be increased. Whether Alberta desires to take this position is not apparent from its brief.

As to the example in the Alberta brief of the movement of sugar beets and refined sugar, Canadian Pacific points out that Alberta has little ground for complaint in this regard since all of the sugar beets produced in Alberta are processed within the Province.

With regard to the relationship between the rates on crude oil and the rates on the products of the refining process, a somewhat similar position exists. There could be no justification for failure to recognize the difference in value between the raw material and the finished products. Here again Alberta does not suggest what remedy would be applied, that is to say, whether the rates on crude oil should be raised or the rates on finished products should be lowered. Complaint is also made against the making of agreed charges on refinery products. This complaint has also been made by Saskatchewan. It follows therefore that Alberta must be taken to be advocating an increase in the rates on crude oil since the low level of the rates on the finished products are already complained about.

With regard to its complaint about the reasons advanced by the railways for the making of the agreed charge on refinery products from Fort William to Saskatchewan points, Canadian Pacific submits that Alberta's complaint really points up the difficulty of giving effect to its contentions. The agreed charge on refinery products from Fort William is complained of on the ground that it provided increased competition for Alberta refineries.

MR. FRAWLEY: Of course, Mr. Chairman, there will be a time for cross-examination but I cannot resist the temptation to say that that is an utterly unfounded statement and no support can be found for it in anything we have said in our brief or in our evidence. Imagine Alberta worrying about competition for Alberta's refineries, the crude oil shot back in the ground. I just say that and I will ask Mr. Jefferson about it in cross-examination.

MR. CARSON: Will you continue, Mr. Jefferson, please?

A. It cannot be expected that Alberta's proposal would not be opposed by industry elsewhere in Canada. It is the difficulty of reconciling the conflicting interests of industry together with the need of providing revenue for the railways which makes it practically impossible to arrange railway services and rates so as to benefit particular areas.

Q. Now, in the submission of the Province of Alberta entitled "Industrial Location in Alberta and the Present Rate Structure" an attack is made on the unfairness of the spread in the rates on raw materials as compared with finished products which has the tendency to develop industrial location in the larger Eastern consuming areas rather than at the source of supply of the raw materials. Would you give the Commission some general observations on this matter, Mr. Jefferson?

A. I think I should first say that I am not entirely clear as to what exactly Alberta proposes. Their Brief indicates that they desire that a relationship between rates on raw materials and finished products should be established so as to provide what they call "neutrality" in regard to transportation rates as affecting the location of industry.

In the tables in their Brief when dealing with the matter of livestock and fresh meats and packing house products, there appears to be some tendency to suggest that in order to establish these relationships, the shrinkage in livestock should be taken into account (See Table and Footnote on Page 23).

Q. That is, with reference to the Alberta Brief?

A. Yes, sir. In a later memorandum filed as a supplement to the Brief (See Page 10797 of the transcript) showing the results of a study of critical relationships of the rates on fresh meats and packing house products to livestock rates, no consideration seems to have been given to the matter of shrinkage of livestock in transit.

Q. What significance do you attach to this question of shrinkage?

A. If the question of shrinkage in transit is to be taken into account then obviously a relationship established in the light of the weight lost in processing between the raw material and the finished product will differ depending on the length of haul of the livestock before the processing takes place. If this is to be a consideration then, as a practical matter, there would be no end to the possible percentage relationships that would exist and would have to be applied in the rate making machinery in order to provide for the so-called neutrality. In my opinion if any attempt were made to reflect shrinkage in transit the matter would be so complex as to be impracticable.

Q. Well, then, Mr. Jefferson, let us assume that the proposal eliminates the matter of shrinkage of livestock in transit and relates only to the loss of weight in the

processing of the raw material?

A. I think that even on this basis from a rate making standpoint the proposal is unsound.

Q. Why do you say that?

A. Because, for example, the rates on meats and packing house products are the same whether or not the meats or packing house products are produced from the slaughter of cattle, hogs or sheep. It is obvious that the loss of weight in processing of cattle will be different than in the case of the processing of hogs or sheep. This seems clear from the Table on Page 10797 of the transcript and I believe it to be true.

Q. That is the Table furnished by Alberta?

A. Yes, sir.

Q. Now, what would be the result in the matter of rate making?

A. If you were to give effect to the so-called critical relationships based on the loss of weight in processing you would obviously have to have a different relationship between the rates on cattle and the rates on beef and packing house products obtained from beef than you would in the case of hogs and sheep on the one hand and the rates on the meats and products derived from them on the other hand. This would make an impossibly complicated system of rates.

What would be true in the case of livestock, fresh meats and packing house products would be true to an even greater extent in regard to the processing of many other raw materials.

Q. What other comments have you to make on this proposal?

A. I am of the opinion that to establish a rate

relationship based merely upon the loss of weight in the processing would result in an entirely new system of rate making. Quite obviously, these relationships would have to be established for a very large number of raw materials and finished products since even though Alberta might be interested mainly in livestock and meats and in oil and the products of crude oil, other parts of Canada would insist upon similar relationships being established for their raw materials and the finished products of those raw materials.

Q. Why do you say that the proposal involves an entirely new system of rate-making?

A. Because rates are made today on what is known as the "value of service principle". The value of service principle reflects both differences in cost of transportation and to some extent the value given to the article by the manufacturing process. In other words, a finished commodity will usually be able to bear a higher rate than the raw material from which it is produced because of the value imparted to the raw material in the manufacturing process. Any proposal to establish rate relationships on the basis of weight lost in processing ignores both differences in the cost of service and differences in the value of service. Quite obviously, to establish a rate relationship on such a basis automatically must ignore the differences in the cost of transporting the raw material as compared with the processed material and must also ignore the value of service principle because it ignores the difference in value attributable to the manufacturing process.

Q. Is there any other effect upon the usual rate-making practices?

A. Yes. The matter of competition might effect the relationship.

Q. How would this come about?

A. It might be that the competition which the railway had to meet would bring about a lowering of the rate on the manufactured product. A railway could not meet competition on the manufactured product and at the same time maintain the so-called critical relationship based upon the loss in weight in the manufacturing process. If, therefore, the relationship had to be maintained, the railway could only meet competition for the transport of manufactured product by also lowering the rate on the raw material in regard to which no competition exists.

THE CHAIRMAN: We will take a short recess.

---Recess.

(Page 15522 follows)

MR. CARSON: Q. Now, Mr. Jefferson, I was just going to ask you in the result, how you would summarize your views on this.

A. One cannot have the relationship based on the loss of weight in the manufacturing process, and also apply the recognized principles of rate-making as I have described. This would mean that the Board, in considering the rates in any given case which might come before it, would have either to give second place to the relationship established on the loss in weight or would have to apply the recognized principles of rate-making. One or the other would have to give way since they are, as a practical matter, quite inconsistent with one another.

Q. Have you any practical way of illustrating some of the way in which this proposal would fail to give effect to the recognized principles of rate-making?

A. Yes, sir. I think I could say this, that as a general rule, raw material provides a heavier loading per car. This is one of the reasons which justifies a lower rate on the raw material as compared with the manufactured article. In the case of livestock and fresh meats, however, the average loading per car of the raw material, that is, the livestock, is generally lower than the loading per car of fresh meats and packing house products. Any plan of fixing relationships based merely on the weight lost in processing, would fail to give effect to these differences in the loading characteristics of different raw materials as compared with

the finished products produced from them.

Q. Have you anything further to say about the proposal as related to livestock and meats and packing house products?

A. Yes, sir. It would be one thing to establish the rates on livestock and meats on the basis of a critical relationship such as Alberta proposes, but one must bear in mind that not only are fresh meats derived from the manufacturing process but a large number of packing house products are also produced. One then is faced with a new complication of determining the proportion of fresh meat and packing house products from the processing of livestock and fixing the rates on such a basis. However, nothing is indicated and I am not clear what the proposal is as to what relationship should exist between the rates on packing house products and the rates on meat. All that I am saying in this connection is that this merely introduces a further complication in giving effect to Alberta's proposal.

Q. Now, a good deal of Alberta's Brief on this subject deals with cases in which the Interstate Commerce Commission has dealt with the subject, and at page 10587 of the Transcript the following statement is made.

THE CHAIRMAN: Of what?

MR. CARSON: At page 10587 of the Transcript a certain statement is made that I am going to ask Mr. Jefferson to comment on, and the statement made on that page reads as follows:-

"The general conclusion which emerges from this brief review of the judgments of the Interstate Commerce Commission is that although the Commission has not fixed definite percentage relations between meat and livestock rates, they have recognized that the adjustment is an important one and have established rates which reflect the competitive situation on meat and livestock respectively."

What comment have you to make on this statement?

A. I do not believe that the Interstate Commerce Commission has ever succeeded in working out and giving effect to any relationship based on the loss of weight in the manufacturing process, nor do I believe that any established relationship has been accepted as of general application in the United States.

Q. Now, have you any examples of the rates - -

THE CHAIRMAN: Pardon me, Mr. Carson.

Who made that statement?

MR. CARSON: That is Mr. Jefferson's comment on the statement in the Brief.

THE CHAIRMAN: Yes, but I say, who made the statement?

MR. CARSON: I think that was by Mr. Harries, at page 10587. Now then, I was going to ask you whether you had any examples of the rates in the United States which support the view which you have expressed?

A. Yes, sir.

Q. I think you were going to file a table,

were not you?

A. Yes, sir.

Q. And the table would be Exhibit 174.

. . . EXHIBIT 174:- filed by Mr. : Table showing
Carson : Comparison of
: Rates on Live-
: stock, Fresh
: Meats and Packing-
: House Products,
: Carloads

Q. That, as I understand it, is a comparison of rates on livestock, fresh meats and packing house products, carloads. Now, would you just tell the Commission what that table shows?

A. Yes, sir. I have prepared a table showing the percentage relationship between the rates on livestock and the rates on fresh meats and packing house products in regard to certain movements within the United States and Canada. For example, this table shows that from Chicago to New York, the rate on fresh meats is approximately 157% of the rate on livestock, whereas from St. Paul to New York, the rate on fresh meat is 131.65% of the rate on livestock. The other examples indicate the wide variation in the relationship between these rates. There is also shown a similar variation between the rates on livestock and the rates on packing house products, but I draw attention to the fact that fresh meats have rates that are 157% of the rates on livestock and packing house products have rates which are only 106% of the rates on livestock. That is, in the case of Chicago to New York.

COMMISSIONER INNIS: How much livestock moves from Chicago to New York? Is that a big movement?

A. There is a big movement of livestock from the livestock yards at Chicago to New York. It is my understanding that ^{on} livestock moving from points west of Chicago to New York, the rates are based on the rate to Chicago plus the rates from Chicago to New York. While there is no livestock produced in the City of Chicago, that is, raised there, it is a point from which the rates are used to a great extent.

Q. I would have expected very little livestock to go from Chicago to New York.

A. Very little livestock?

Q. Yes, going from Chicago to New York.

A. I think there is a substantial movement of livestock from Chicago to New York.

Q. If you think of the packing house industry as being pretty much Chicago.

A. Quite right. There is a heavy movement of fresh meats and packing house products from Chicago to New York, but there is also a movement of livestock. The movement of meats and packing house products would be very much greater.

Q. Let me go further. In your table at page 133, I wondered why - -

MR. CARSON: Of Part II.

COMMISSIONER INNIS: In each case the rate per hundred pounds was exactly the same throughout the whole table, is that true?

A. Well, in the first place, all livestock takes the same rate, that is, cattle, sheep and hogs.

Q. And whether domestic or export?

A. Domestic or export. The rates from the west to the east, the eastern territory is one blanket rate from Montreal to Windsor, and that is why Toronto and Montreal have the same rates on livestock.

Q. I wondered why you have gone to the trouble to put the four of them in as exactly the same. That is just a matter of - -

A. The four were put in to show - you mean the four or the three?

Q. They are all exactly the same. Apparently there are more than four there, there are six.

A. The reason why we show Toronto and Montreal was to show the difference in ton mile and car mile earnings to the two points.

Q. I understand that, and it is exactly the same for the six?

A. We put the Montreal-export in so that you would know that the same rate applied on export as on the domestic, for the reason that when you come over to the next table then you will find the export rates on the meats and packing house products are lower than the domestic rates.

Q. Is there a large movement of livestock traffic from Winnipeg, Moose Jaw and Calgary to Montreal and Toronto?

A. Yes, sir.

Q. Is it mostly hogs or cattle?

A. Off hand I could not say the relation

between hogs and cattle, but I would think there would be a heavier movement than cattle.

Q. A heavier movement from the west of hogs?

A. Yes, sir, but that information is available in statistics published, I think, by the Livestock Association. We have it in Montreal, and we could get it for you if you like.

Q. It would be rather interesting to know just to what extent there is this movement of livestock.

A. Yes, sir.

Q. In your Brief on livestock I think you have them on pages 133-134, when you are working out the rates. Does the length of haul have a fairly important place? You mentioned earlier the various factors which enter into rate-making including length of haul. Would that be a fairly influential item which would offset the low rates on livestock?

A. The longer the haul, you can have a lower car mile earning, and still have a rate that is compensatory, but in the case of the livestock, the railways reduced the rates on livestock to assist the producers back in 1921, which makes the earnings of that traffic very low.

I might explain that to you a little. The rates on livestock from Western Canada to Eastern Canada were always very low. Now, the livestock rates had the 15% increase and the 25% increase. Then it had the 40% increase in 1920. Now, in 1921, the railways removed the increase in the rates on livestock in Eastern Canada and Western Canada, and they also reduced the rates from the west to the east (I think it was 20%)

to assist the livestock industry at that time, which was in a very bad condition. The rates were originally below, but the increases were just wiped out.

Q. So that it is really the emergency element which explains this rather than any consideration of the length of haul such as you outlined in your description of rate-making?

A. Yes, sir.

MR. CARSON: Q. I think you had been saying, Mr. Jefferson, that there was a similar variation between the rates on livestock and the rates on packing house products, and then you were drawing attention to the fact that fresh meats have rates that are 157% of the rates on livestock, and packing house products have rates which are only 106% of the rates on livestock?

A. Yes, sir. That was with respect to Chicago to New York.

Q. Yes.

A. On the other hand, from Kansas city to New York, while fresh meats are 146% of the rates on livestock, the rates on packing house products are more than 115% of the rates on livestock.

Q. Just before I put the next question to you, Mr. Jefferson, if you look at Exhibit 174, the right hand column, the outside column on the right, "Percentage P.H.D." should be "P.H.P."?

A. It should be "P.H.P.", yes, packing house products.

Q. Now what does the table show by way of comparison between the relations established in the United States and those existing in Canada?

A. The table would indicate that there is no greater variation in these relationships in Canada than there is in the United States, although admittedly these relationships are not uniform or the same as those in the United States.

Q. Have you any further comment on this subject before you conclude your evidence?

A. I think the Commission will find that the matter of the relationship between the rates on livestock and the rates on fresh meats and packing house products, has been dealt with very exhaustively in the judgment of the Board in the so-called Gainers Case.

Q. And where is that reported?

A. In 1928. That is reported in 18 J.O.R. & R. 356. I am of the opinion that whatever may be the proposal of Alberta, the matter must in the last analysis be for the Board of Transport Commissioners to decide in any given case; and that as regards the rates on livestock on the one hand and fresh meats and packing house products on the other, the Board did in effect in the Gainers Case deal with the question on the merits, and a similar proposal that fixed relationships be established was rejected by the Board on that occasion.

Q. Then what is your general conclusion with respect to the Alberta proposal?

A. In my opinion, for the various reasons I

have given, I think the suggestion is wholly impracticable and that in any case the Board now has jurisdiction to deal with the matter and will deal adequately with it in any given case.

COMMISSIONER ANGUS: Mr. Jefferson, if we could go back for a moment to your general argument that the rates on livestock would have to be increased because the rates on finished products could not be decreased, does that assume that Alberta admits that the railways are not making too much money?

A. We would assume that Alberta admits that the railways are not?

Q. Does it assume that Alberta admits that the railways are not making too much money?

A. I would rather Alberta would answer that question, but I don't imagine they would. There is difficulty in getting such an admission.

MR. FRAWLEY: I would be very glad. Frankly I did not see the import of your question, I am sorry, sir, except that it was not directed to me.

COMMISSIONER ANGUS: The argument, Mr. Frawley, seems to be this, that you could not bring the two rates closer together by reducing the higher rate, because that would diminish the railway revenue, and railway revenue was only admittedly at the level that was just and reasonable. Now, I ask Mr. Jefferson if he says, assuming that ^{the} level of railway revenue was merely at the just and reasonable level, that there was a possibility that he considered there was a margin which could permit of some rates being reduced.

MR. FRAWLEY: I am reminded, sir, that our

position when we were putting our case, I think, was that we wanted the adjustment in the relationship considered separately and apart from what might flow from that in the way of reduced revenues. Then any reduced revenues which are reduced beyond the point where that financial need of the railways may not be satisfied, must be made up by general increases. I have said that with respect to every single proposition I have put before the Commission. Perhaps in making a short haul the immediate result would be a loss in revenue. If it is unjust, let us get rid of it. Then let us make up to the railways whatever proper loss of net revenue is occasioned thereby. That goes for the general level of rates, east and west; it goes for all the adjustments which at least I may advance. I don't desire that one penny of needed revenue should be denied the railways, but I say that must not be at the expense of continuing injustices.

THE CHAIRMAN: How would you make up for the needs, for the things which are not - -

MR. FRAWLEY: There would have to be a general overall increase.

THE CHAIRMAN: Do you mean throughout the country?

MR. FRAWLEY: Yes.

MR. CARSON: Horizontal.

MR. FRAWLEY: That still leaves the argument there as to whether it should be horizontal for the railroads.

COMMISSIONER INNIS: Have you raised any

question as to the feasibility of raising the rates on livestock? You suggested it was an emergency depression in rates which was continued over a long period, and one wonders whether you have felt from time to time that it should be raised.

A. We have felt from time to time that the livestock rates from Western Canada to Eastern Canada should be raised, but we have not increased the rates since we made the reduction in 1921, except the 21% increase in 1948, and the interim 8% increase in 1949.

Q. But you have never considered it as being out of line, as you would, for example, in the case of Crow's Nest rates on grain?

A. Being out of line?

Q. Yes.

A. Well, we have always considered livestock rates were very very low, and should be increased, but we have never felt that we found the opportune moment to increase them.

THE CHAIRMAN: You are talking now of rates which the railway itself fixes?

A. That is right.

Q. They must be compensatory rates?

A. But they really are not.

MR. CARSON: You reduced them for the reasons you gave.

THE CHAIRMAN: Why were they fixed so low? What was the motive? It was not competition in this case?

A. No, sir. The reason why they were reduced in

in 1921, was to assist the livestock industry.

MR. CARSON: You said it was in bad shape at that time?

A. Throughout Canada, not only in the west, but in the east.

THE CHAIRMAN: And you said so far since 1921 only once?

A. Twice, by the 21% and the 8%.

COMMISSIONER INNIS: But never in relation, that is to say, never specifically limited to livestock. It has always been in a general increase?

MR. CARSON: The two increases were general increases.

A. The general increase is always applied to livestock rates.

COMMISSIONER INNIS: You say you never felt the opportune moment had arrived? I wondered what you meant.

A. What I meant by that was to increase them again after we made the emergency reduction, we will call it. The other rates were increased, between, we will say, 1921 and 1948.

COMMISSIONER ANGUS: And the relative level has never been brought back?

A. That is right. The depressed level was never brought up to what it was before the emergency reduction.

COMMISSIONER INNIS: And you have never felt it expedient to present the problem to the Board

A. No, we would not present it to the Board of Transport Commissioners. It would be a matter for the

railways to take action on their own initiative.

Q. You would have to file it with the Board.

A. We would have to file a tariff with the Board, and the tariff would have been suspended, probably would have been, on application, and then it would have been heard and decided.

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MR. CARSON: Q. Well, when you reduced the livestock rates in 1921, that reduction was especially applied to livestock and not to other rates?

A. That is right.

Q. That is what happened in 1921?

A. Yes, sir.

Q. And that was because of the emergency in the livestock industry which you referred to?

A. Yes.

Q. The last subject that you are to deal with, Mr. Jefferson, is that of the "Canadian Pacific Line North of Lake Superior", which appears in Part II of the Canadian Pacific submission at pages 135 and 136. Would you read those two pages, please?

A. "In the brief of Saskatchewan many references are made to the so-called 'Bridge' or 'Wilderness' between Eastern and Western Canada comprising the Canadian Pacific Railway line in the territory between Sudbury and Winnipeg.

On page 5, it is stated that -- "

Q. That is of the Saskatchewan brief?

A. Yes.

"On page 5 it is stated that 1,000 miles of wilderness, yielding relatively little in the way of revenue freight, separates Saskatchewan from the industrial areas of Ontario and Quebec. On page 6 the statement is made that as a matter of national policy, the Government of Canada determined that a Transcontinental railway should be built wholly within Canadian territory rather than follow the more obvious route which would have necessitated a portion of the line passing through the United States. This, it was stated, was done at very

Mr. J. H. Brown, Jr.

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considerable cost, not only in construction around the rocky north shore of Lake Superior, but in operations since that time.

This matter is again referred to on pages 79 to 81, inclusive, of the brief. On page 81, the statement is made that the construction of the Canadian Pacific --"

Q. In order to be clear for the record, those page references you are giving are to the Saskatchewan brief?

A. That is right.

Q. I think they were from a mimeographed copy which was all that was available before we prepared our brief, yes.

A. "On page 81 the statement is made that the construction of the Canadian Pacific to the north of the Great Lakes was dictated by national policy and can only be justified as in the national interest. It is further stated that the costliness of the construction through these regions accounts to a considerable extent for the fixed charges of Canadian Pacific and is reflected in railway rates. Moreover it is said the hundreds of miles of Shield bridged by the Canadian Pacific remain unremunerative in terms of traffic and thus not only the fixed charges but also the operating costs of the region fall upon traffic which originates or is destined elsewhere.

At page 103 of the brief, the position is taken with 'absolute definiteness' that the high cost of construction and operation in the region north of the Great Lakes can in no sense be chargeable to the Prairie region and 'This

route was dictated by the national policy and the Prairie region ought not to pay additional cost as a result'.

It is quite apparent, from many of the statements made on this subject, that those making them are not properly informed. While it may be that in the development of this country, the traffic originating in this area was not as abundant as that in the Prairie provinces, this, however, is not now the case. During the year 1948 the number of tons of traffic originating on the lines of the Canadian Pacific in the so-called unproductive area and in the Prairie provinces, with tons per mile, is shown hereunder:

<u>Area</u>	<u>Number of Tons of Originating Traffic</u>	<u>Number of Tons Per Mile</u>
Between Sudbury and Port Arthur (Excepting Sudbury and Port Arthur)	1,308,087	2,425
Port Arthur, Fort William and West Fort William	745,331	- -
Between West Fort William and Winnipeg (Except West Fort William and Winnipeg)	850,923	1,974
Between Sudbury and Winnipeg (Excepting Sudbury and Winnipeg)	2,904,341	2,991
Province of Manitoba	3,191,671	1,698
" " Saskatchewan	5,082,412	1,121
" " Alberta	6,892,240	2,629 "

THE CHAIRMAN: With respect to this enumeration of the provinces, take, for instance, Manitoba: you take all originating traffic; does that mean going not only from point to point within Manitoba, but also from Manitoba out to other provinces?

The first of these is the fact that the
 government has been unable to raise the
 necessary funds to meet its obligations.
 This is due to a number of factors, including
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 necessary funds to meet its obligations.

Date	Description	Amount	Total
1910	Jan 1	100.00	100.00
1911	Feb 1	200.00	300.00
1912	Mar 1	300.00	600.00
1913	Apr 1	400.00	1000.00
1914	May 1	500.00	1500.00
1915	Jun 1	600.00	2100.00
1916	Jul 1	700.00	2800.00
1917	Aug 1	800.00	3600.00
1918	Sep 1	900.00	4500.00

A. Yes, sir.

Q. All the traffic?

A. All the traffic originating in Manitoba, no matter where it was destined.

"One method of determining the value of a line is the tons per mile of originating traffic. During the year 1948 the so-called wilderness between Sudbury and Winnipeg originated a larger amount of tonnage per mile of railway than any of the Prairie Provinces taken individually or collectively. There is no reason to believe that the tonnage produced in the area between Sudbury and Winnipeg will not continue in reasonable relationship with the Prairie Provinces."

COMMISSIONER INNIS: Q. Have you any estimate as to the revenue produced by those movements, let us say, by the number of tons originating in these various regions?

A. No, sir.

Q. This is just using the one measuring rod?

A. Yes, sir.

Q. There is no way of getting it, I suppose?

A. You could not determine the revenue without an analysis of every way bill.

Q. Yes, that is right.

MR. FRAWLEY: Q. Are you able to say, by and large, what that traffic is which originates on the Superior region or territory?

A. I will give it to you in a few minutes.

THE CHAIRMAN: Q. You say the excess is in favour of the unproductive and exceeds the Prairie Provinces taken individually or collectively?

A. Yes, sir.

1914, 1915, 1916

1917, 1918, 1919

1920, 1921, 1922

1923, 1924, 1925

1926, 1927, 1928

1929, 1930, 1931

1932, 1933, 1934

1935, 1936, 1937

1938, 1939, 1940

1941, 1942, 1943

1944, 1945, 1946

1947, 1948, 1949

1950, 1951, 1952

1953, 1954, 1955

1956, 1957, 1958

1959, 1960, 1961

1962, 1963, 1964

1965, 1966, 1967

1968, 1969, 1970

1971, 1972, 1973

1974, 1975, 1976

1977, 1978, 1979

1980, 1981, 1982

1983, 1984, 1985

1986, 1987, 1988

1989, 1990, 1991

1992, 1993, 1994

1995, 1996, 1997

1998, 1999, 2000

2001, 2002, 2003

Q. Do the figures you give justify the use of that word "collectively"?

A. Yes, sir. The figures for each of the provinces are less than the number of tons per mile, the number of tons of originating traffic per mile between Sudbury and Winnipeg.

Now, if you added the miles for Manitoba, Saskatchewan and Alberta together you could not get anything higher than the number of tons for the provinces individually. In fact it would be much less. It would be something, I suppose, between -- I do not know what it would be, but it would be much less than 2,629.

"Canadian Pacific submits that there is no evidence that the burden of overcoming the disadvantage provided by the operation of the railway through the so-called 'wilderness' north of Lake Superior is any greater than if an alternative route through the United States south of the Great Lakes had been used. At all events that burden, if it can be called a burden, has not caused railway rates between central and western Canada to be as high as those on the more fortunately situated railway lines in the United States. Reference is again made to pages 52-55 of the Appendix to Part I of the submission."

MR. CARSON: Q. Page 135 which you have just read mentions that the province of Saskatchewan stated that construction of the Canadian Pacific line to the north of Lake Superior was dictated by national policy and that the Prairie region ought not to pay additional costs as a result. What have you to say about that?

A. It is my opinion that those who were responsible for this national policy were possessed of great vision and courage and realized that the building of the Canadian Pacific wholly within Canada over a long term of years was in the best interest of Canada.

Q. What have you to say about the statement of Saskatchewan that the Prairies are paying additional costs as a result of the Canadian Pacific line being constructed north of Lake Superior instead of through the United States?

A. As I have just read from page 136, those making those statements are not properly informed. If the Canadian Pacific had to operate through the United States to reach Western Canada from the east, it is my opinion that the freight rates would be higher than at present applicable wholly within Canada. It must be realized that the haul through United States would be a lengthy one and the rates would naturally have to be related to the United States rates.

Q. Have you any examples of these?

A. Yes, sir. The tables shown on pages 52 to 55.

Q. The tables shown on pages 52 to 55?

A. Of the appendix, Part I.

Q. Yes?

A. Of the Canadian Pacific submission, show a comparison of the rates from eastern Canada to western Canada with the United States rates for similar distances. These examples are very interesting and will disprove any assumption that the Prairies are paying any higher freight rates on traffic from the east due to the Canadian Pacific line north of Lake Superior.

Q. Are there any of the examples which you desire

to draw attention to?

A. I explained these examples quite extensively when I gave my evidence in December; but there might be one or two examples now, if you like.

Q. Perhaps one or two, and then, I think, the tables would speak for themselves.

A. On automobiles from Detroit, Michigan, to Butte, Montana, for 17024 miles, the rate is \$6.01 per 100 pounds.

Q. This is shown at page 54 of the appendix to Part I?

A. Yes, sir. While from Windsor, Ontario, to Regina, for 17071 miles, the rate is \$4.33, and with the 8 per cent increase, it is \$4.68.

Now, boots and shoes from Boston to Minneapolis, for a haul of 13014 miles the rate is \$3.55; while from Montreal to Winnipeg, for a haul of 13055 miles, the rate is as shown, \$2.15; but with the 8 per cent increase, it becomes \$2.32.

Q. \$2.32?

A. Yes, sir.

Q. Then I think with those two illustrations, perhaps the tables speak for themselves?

A. Yes, sir.

Q. Has there been much development on the line from Sudbury to Fort William in the past few years?

A. Yes, sir, there has been a large industrial development on the line between Sudbury and Fort William. In addition to a number of large lumber mills there has been a considerable development in the pulp and paper industry in that area, and it has brought millions of dollars in United States capital to Canada.

Q. Can you name some of these?

COMMISSIONER INNIS: Q. I suppose there would be no way of getting a table indicating the increase which has taken place? You are just making a general statement?

A. You mean an increase in the volume?

Q. Yes; the increase in the number of tons originating, going back over a considerable period of years, to bring the point out sharply?

A. Yes. I do not know how far back we would have the information, but a table similar to the one shown on page 136 for the year 1948 could be prepared for some year, it may be ten years ago, or something like that. I do not know how far back they would have the information.

Q. I suppose a great deal of development has taken place since the depression?

A. Yes;

Q. And a great deal since 1920?

A. Yes, sir. There has been a great deal of development in this territory which we are discussing, particularly between Sudbury and Fort William since 1939.

Q. You would regard 1939 as a sort of base year?

A. Not necessarily for a thing of this kind. But these mills I am speaking of at Marathon and Terrace Bay would be built since 1939. The one at Red Rock was built some time before that.

Of course, the lumber mills have been there for a good many years. The Marathon Corporation of Menasha, Wisconsin, built a large pulp mill at Marathon, Ontario.

The Long Lac Pulp and Paper Company, a subsidiary of the Kimberly-Clark Corporation of Neenah, Wisconsin, have a large pulp development at Terrace Bay.

The Brompton Pulp and Paper company operate pulp and paper mills at Red Rock and Nipigon.

The International Nickel Company at Copper Cliff, as everyone knows, is a great asset to Canada.

MR. FRAWLEY: Q. Are you including nickel operations in these figures?

A. No, sir, **not** so far as Copper Cliff is concerned; but so far as International Nickel is concerned it operates a development on this line between Sudbury and Fort William, so it is included.

Q. Copper Cliff, I thought, was on a branch to Levack; and **those** places west of Sudbury, you are including **them**?

A. The interest was on that line.

Q. That is the Sudbury area; I do not know what you mean when you said you excluded Sudbury?

A. I excluded the City of Sudbury.

MR. CARSON: Q. Where is Falconbridge situated?

A. That is on the Canadian National, sir, not on the Canadian Pacific.

Q. Then you do not think, Mr. Jefferson, that this line is a burden?

A. No, I do not consider this line a burden to the Canadian Pacific or to anyone else. In fact, it is a definite asset to the Canadian Pacific and to Canada, not only because of the traffic it originates and receives, but also because of the very large traffic between eastern and western Canada, both freight and passenger, which moves over it.

Q. Have you anything further to say on this subject?

Association of the United Nations, in

and all the other things that are going on.

The Government is not going to do

anything that is going to be a threat to the

Mr. Tolson: I am not going to do

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A. No, sir, except that if the Canadian Pacific had not been constructed wholly within Canada north of Lake Superior, then in my opinion this territory would in fact be a wilderness.

Q. Yes.

COMMISSIONER INNIS: Q. Would the Saskatchewan brief hold up, let us say, to 1914?

A. What is that?

Q. Would the Saskatchewan statement be adequate up to 1914?

A. Up to 1914?

Q. Yes?

A. Yes, sir.

MR. CARSON: Q. In designating it as a "wilderness"?

COMMISSIONER INNIS: Yes.

THE WITNESS: I would think it might, yes, sir.

COMMISSIONER INNIS: Q. This extraordinary increase since the first war has brought it into prominence, and I suppose it has become of tremendous importance to the railway?

A. Yes, sir.

Q. In cutting down what was previously a wilderness and making it blossom like a rose?

A. In this table on page 136 we have shown the tonnage which originates on this line. There is a lot of terminating tonnage which is not in there, and there is a lot of overhead tonnage, if you will. The tonnage moving east all-rail from the west, or from the west to the east is much heavier today than it was back in 1914, yes, sir.

Q. I was wondering how far the great change which

has taken place in the region has been reflected in the revenue of the road?

A. Your revenue is derived from three sources. Take the line between Sudbury and Fort William. There is tonnage which originates on the line; there is tonnage which terminates on the line; and there is tonnage which passes over the line. It would be a tremendous job to determine the earnings of a particular line of railway.

Q. But the development has not been such as to ease your situation to the point that you did not need to ask for an increase in the rates?

A. No, sir.

MR. FRAWLEY: If you eliminated the nickel traffic originating at Copper Cliff from the one million odd, would you hazard a guess as to how much would be left?

A. None of it is in there.

Q THE CHAIRMAN: Q. What is that?

A. None of the tonnage which originates at Copper Cliff is in there.

MR. FRAWLEY: Q. What about Levack?

A. Levack is in there because Levack is on the main line between Sudbury and Fort William.

THE CHAIRMAN: We had better clear this matter up after lunch.

MR. CARSON: That concludes Mr. Jefferson in chief.

THE CHAIRMAN: We shall adjourn now until this afternoon.

---At 1 p.m. the Commission adjourned until 2.45 p.m.

AMERICAN MEDICAL ASSOCIATION

PUBLISHED WEEKLY

Vol. 10, No. 1, January 1917

CHICAGO, ILL.

Subscription price, \$5.00 per annum in advance

Single copies, 15 cents

Entered as second-class matter, June 26, 1911

Postpaid

Acceptance for mailing at special rate of postage provided for in Act of October 3, 1917

Authorizes sale at wholesale price of 50 cents per copy

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Ottawa, Ontario
February 16, 1950.

A F T E R N O O N S E S S I O N

MR. EVANS: Your lordship asked during this morning's proceedings about the procedure before the Interstate Commerce Commission on how a person who had been awarded reparation went about collecting the reparation, and I would like to give your lordship the reference while we are not too far removed from Mr. Jefferson's examination-in-chief.

The first section I would like to refer to is Section 8 of the Interstate Commerce Act. In that Section it provides for the remedy in the event that a carrier disobeys or does not do something that the Act requires, and under Section 9, it is provided that:-

"Any person or persons claiming to be damaged by any common carrier subject to the provisions of this part may either make complaint to the Commission as hereinafter provided for, or may bring suit in his or their own behalf for the recovery of the damages for which such common carrier may be liable under the provisions of this part, in any district or circuit court of the United States of competent jurisdiction -"

And then, there is further there about that.

Then, under sub-section 2 of Section 16 it is provided that:-

"If a carrier does not comply with an order for the payment of money within the time limit in such order, the complainant, or any person for whose benefit such order was made, may file in the district court of the United States for the district in which he resides or in which is located the principal operating office of the carrier, or through which the road of the carrier runs, or in any State court of general jurisdiction having jurisdiction of the parties, a complaint setting forth briefly the causes for which he claims damages, and the order of the Commission in the premises. Such suit in the district court of the United States shall proceed in all respects like other civil suits for damages except that on the trial of such suit, the findings and order of the Commission shall be prima facie evidence of the facts therein stated"

and so on.

THE CHAIRMAN: Then the courts in question there, if I followed you correctly, are all United States courts?

MR. EVANS: Oh, yes.

THE CHAIRMAN: I am distinguishing as between State courts.

MR. EVANS: Well, the State courts, as perhaps your lordship knows, in certain cases where the cause of action arises out of the state, sometimes depend for jurisdiction upon the extent to which the defendant may have property in the State. We have had a lot of cases of that involving railways, but it may be

tried in the district court which is a factual court, or in the State court having jurisdiction, and I assume the extent of the jurisdiction may be measured by the amount of assets the defendant has in that State. Then, in order to distinguish what happens in the event of orders for payment of money or other kinds of orders, if the Commission is interested, they will find that in sub-section 12, and that provides ---

THE CHAIRMAN: Sub-section 12 of the same section -- 16?

MR. EVANS: Yes, sir. Sub-section 12 deals with orders for the payment of money which would be reparation and sub-section 17 deals with other kinds of orders and provides:

"If any carrier fails or neglects to obey any order of the Commission other than . for the payment of money while the same is in effect, the Interstate Commerce Commission or any party injured thereby, or the United States, by its Attorney General, may apply to any district ^{court} of the United States of competent jurisdiction for the enforcement of such order. If, after hearing, such court determines that the order was regularly made and duly served, and that the carrier is in disobedience of the same, such court shall enforce obedience to such order by a writ of injunction or other proper process, mandatory or otherwise --"

And so on

THE CHAIRMAN: Thank you, Mr. Evans. Does anyone wish to question Mr. Jefferson?

MR. C. E. JEFFERSON RECALLED

COMMISSIONER INNIS: I want to ask one question, Mr. Jefferson, as a matter of information. When you were discussing interline rates, would those apply to a railway which had leased another railway and which was separate in its organization?

A. Which had leased another railway?

Q. Say a 999 year lease.

MR. EVANS: I wonder if I might give you an answer to that. We make no distinction between a railway owned railway or a railway leased under a 999 year lease.

COMMISSIONER INNIS: Would that be true of the Canadian National?

MR. EVANS: I cannot speak for the Canadian National.

MR. HART: Yes, it is true of the Canadian National.

MR. EVANS: That does not apply to an Eastern United States line that is a leased line and there have been two lines over there for special reasons which I am not at the moment familiar with. There are outside interests involved in that Company.

MR. HUME: Mr. Chairman, with Mr. Jefferson's permission and before I ask him questions on one or two points, I have a document which I should like to file as an Exhibit because I think the Commission has expressed interest in the regulation of international trucking rates. I am not making any point about this document but I want to file -- I have procured the five copies for the use of the Commission and its staff. It is a tariff No. 66 which will be Exhibit 175

published by the Interstate Commerce Commission and it covers points situated in the Dominion of Canada and points in the United States in about twenty states named in the tariff and the points in the Dominion of Canada are shown on Pages 6 to 9 of this tariff and they are all situated within the Province of Ontario. I have not counted them but there are four or five pages of these points in Ontario and this is the tariff, I am advised (this was procured through an agent in Buffalo New York) this is the tariff under which the Interstate Commerce Commission . regulates the rates of American and Canadian trucking companies travelling between Ontario and points in the United States.

Nobody, I think, suggests that the Interstate Commerce Commission has any jurisdiction once a vehicle or a concern gets beyond their territorial limitations, but I am told this is the tariff: under which they regulate the rates, and that they effectively regulate them because the carrier has got to come back to the United States after he delivers his load and if he it is discovered he is not adhering to this tariff set up, the Interstate Commerce Commission then punishes him in some way after he returns home.

THE CHAIRMAN: That would apply, as I understand it, to an American Company. How: about a Canadian Company?

MR. HUME: Then the Canadian carriers have rights to travel in the United States and insofar as a Canadian company travels into the State of New York, let us say, they have to go to the Interstate Commerce Commission if they are travelling internationally, as they would be and they have to get

a license and I think post certain bonds and comply with certain things, and the condition upon them is that if they do not do it, then, I understand, the way they are controlled is that they are just not allowed the right to run into the United States so they behave, so to speak, under this tariff. Because of the interest on this point which I think is shown in Volume 70 of the transcript, I have procured these five copies of the tariff which may be of interest to the Commission.

EXHIBIT NO. 175: Filed by Mr. : Document M.F. I.C.C. 70
Hume : Motor Tariff with
: Supplement for points
: Between Canada and the
: United States.

MR. EVANS: I am sure my friend does not want to create an erroneous impression. He speaks of the tariff as a means by which the Interstate Commerce Commission regulates. I assume it is like a railway tariff and is not a means by which the Interstate Commerce Commission regulates; it is a tariff published by the carirers under the authority of the Interstate Commerce Commission. There is quite a distinction.

MR. HUME: I think that Mr. Evans' statement is quite correct and if I implied that this was issued by the Interstate Commerce Commission I am sorry. This is M.F. I.C.C. 70, Motor Tariff with Supplement for points between Canada and the United States and it is issued by one W. G. Clayton, Jr. Agent of Buffalo New York, so it is issued by the agent no doubt under the authority of the Interstate Commerce Commission.

THE CHAIRMAN: Do you know what "M.F." means?

MR. HUME: I would think it would be motor freight.

CROSS-EXAMINATION BY MR. HUME

Q. Now, Mr. Jefferson, I just have two or three points that I would like to discuss with you, the first of which arises out of your evidence in Volume 68 which was the transcript for December 16, 1949, and you mention there at Page 14015 the reasons for the agreed charge principle being incorporated in the Act stating that they were a means to permit the railways to meet unregulated competition by means of a contract between the railways and interested shippers. The word "unregulated" appears several times through your testimony and I want to clear it up, if I can, by one fell swoop. Am I correct that by the word "unregulated", you are referring to the shipper who is moving his own goods in his own vehicle or are you referring generally to the carriage of goods by truck on the highway?

A. I am referring generally to goods carried by truck on the highway and also by water to the extent that the carriage of goods by water is not regulated.

Q. So that your use of the word "unregulated", like Mr. Walker's and others that have appeared, means "unregulated by the Board of Transport Commissioners"?

A. Yes, sir.

Q. You are not suggesting, Mr. Jefferson, are you, that, for example, in the Province of British Columbia that the motor carriers as to rates and other matters are not completely regulated?

A. The motor carriers in British Columbia may be regulated so far as common carriers are concerned but I do not know that they are regulated insofar as contract or private carriers are concerned.

Q. And I don't think they are. Then, on Page 14016, the following page, you are discussing the

number of agreed charge contracts that have been entered into and you point out that six of the twenty-three in the East apply to petroleum products?

A. Yes, sir.

Q. In connection with that, just so that we can clear up the record, my instructions are that so far as the commercial trucking industry is concerned, there are no tank trucks in the East that are competing with you in the movement of petroleum products. Is that not correct?

A. That may be mainly correct. The agreed charges on petroleum are to compete with industry-owned tank trucks. I understand there are some truck operators who do operate tank trucks.

Q. I think there is one company in Western Ontario with a few, but it is very small; but in the West I understand there is a large fleet of these commercial tank trucks and in the East my understanding is that there were perhaps half a dozen in the whole of Eastern Canada.

A. I cannot say to what extent commercial trucking of petroleum products in tank trucks amounts. I agree with you that it is not large.

Q. So, therefore, these six agreed charges on petroleum products that you have entered into in Eastern Canada were under the threat that the industry itself was threatening to move its own goods?

A. Yes, not only a threat but they were moving a lot of the products by their own tank trucks.

Q. And is that true for the two agreed charges in the East on salt? Was that a threat from the industry itself or from the commercial trucking industry?

A. On salt?

Q. Numbers 25 and 40, Mr. Jefferson, I think cover the movement of salt in Eastern Canada. No. 25 is the movement of salt from Sandwich, Ontario, to Shawinigan Falls, Quebec, and No. 40 covers the movement of salt from Sarnia, Ontario to Beauharnois, Quebec?

A. The two agreed charges on salt in bulk were not published to meet truck competition; they were published to meet mainly water competition because there is no competition on truck lines in the carriage of bulk traffic.

Q. The point I wanted to clear up, if there was a doubt in anybody's mind, certainly in connection with these petroleum agreed charges, was that they were entered into because of the competition of the shipper himself in his own vehicles?

A. Mainly industry-owned trucks, yes, sir.

Q. Now, then, the second point that I just wanted to clear up was in the same Volume at Page 10450 when you were discussing with Mr. Carson the question of the Agreed charges. At the very bottom of the page in answer to a question from Mr. Carson, you said this:

"Well, it has been suggested in one of the Briefs of Alberta, I think, that agreed charges interfere with legitimate competition from other carriers. This is not so, because motor carriers, which are mainly the competitors, which the agreed charge is designed to meet, themselves originated the idea of contracts with individual shippers".

And then you say:

"I venture to say that the so-called contract carriers by truck are more numerous than the so-called common carriers by truck."

I wondered, Mr. Jefferson, what was the basis of that opinion? Is that your own opinion?

A. That is my own opinion.

Q. You are aware, I take it, that in Ontario the classification of licences is such that one can determine exactly how many trucks are common carrier trucks and how many trucks are contract carrier trucks?

A. That may be.

Q. It is the only province, I think, where that is possible?

MR. EVANS: No -- in British Columbia. There is evidence at this hearing about that.

MR. HUME: Well, dealing first of all with Ontario, perhaps I can tell you that there are first two classifications -- A and B. A and B are what you referred to in this answer as "common carriers" in Ontario.

A. You mean, the A and B licences apply only to --

Q. To common carriers, the A being to points on the King's highway and B being to points on secondary roads, so that A and B would be the total of what you refer to here as the common carrier. In 1948, and this is in the transcript somewhere, there was 4,456 of those common carriers in Ontario ^{with} whereas the C. licences which is your contract carrier in Ontario, there is only 1,860 and I wondered, Mr. Jefferson, if you wished to comment on the fact that there is apparently over three times as many common carriers as contract carriers in Ontario?

MR. EVANS: What about Class D? Class D are contract carriers.

MR. HUME: Class D covers, I think, specific goods. Class D covers special equipment or designated shippers. That may be. It may be that Class D are contract carriers. There are 1,026 of those so let us say there are twice as many common carriers as contract carriers in Ontario. There is 4,456 common carriers in 1948 and 2,886 contract carriers.

A. In making this statement as we did in my evidence we were speaking more of Canada as a whole.

(Page 15578 follows)

Q. But certainly in one province, I believe you will agree with me that Ontario is certainly one of your largest and most representative provinces in connection with the trucking industry. It is where your problem is greatest.

A. Ontario is one of the provinces where we have the keenest competition from the trucks, yes.

Q. And I just want to suggest, for the purpose of keeping the record straight, that it is significant that there are, let us say, nearly twice as many common carriers as there are contract carriers licensed in that province.

A. I am not familiar in detail with the motor truck regulations, but are not the same company common carriers and contract carriers?

Q. Not necessarily, Mr. Jefferson. They might have an A and they might have a C licence.

A. Yes, sir.

Q. But the way the Department issue their information as to the number of A licences and the number of C licences, one can determine how many actual trucks are in the common carrier business and how many actual trucks are in the contract carrier business.

A. And they are not interchangeable?

Q. They may be. You may have a man who has both A and C, but it certainly would indicate that if he is a truck carrier he must be licensed as such.

A. Quite so. Could you use that A truck for a C truck?

Q. Not unless there is a C licence on it, which would reflect in my figures.

A. I see.

Q. So that there are, we will say, 2886 contract carriers and 4456 common carriers, and I am suggesting to you that the situation in Canada may not be quite the way it was stated in this answer, that there may be more common carriers.

A. I could not say that there were, but I do believe that whether there are more common carriers licences than contract carrier licences (you may be able to answer the question) I would believe that the volume or the tonnage carried by contract carriers would be greater than the common carriers.

Q. And why do you believe that, Mr. Jefferson?

A. Because the contract carrier usually carries a full truck.

Q. May I then go on to my third point? You referred earlier in your evidence in Volume 68, to the pick-up and delivery service, and you explained to the Commission the reason for its original introduction, ^{which} was, to compete with the truck that you found was going to the shipper's door, and you had to provide the same service?

A. Yes, sir.

Q. I just wanted to ask you whether or not in your experience you are now aware of a movement or tendency in the United States where the railways are now seeking to abandon their P. & D. service?

THE CHAIRMAN: They are seeking to abandon what?

MR. HUME: Their pick-up and delivery service in the United States. I just wanted to know whether you knew about that.

A. I am familiar with changes that some of the railroads in the United States have in mind with respect to curtailing their pick-up and delivery service. Pick-up and delivery service grew very fast during the depression period. The cost of the pick-up and delivery service in recent years has become such a burden that in some instances the carriers are withdrawing from the P. & D. service or continuing the P. & D. service but making a charge for the service.

THE CHAIRMAN: Pardon me, are you talking now altogether of the United States?

A. Yes, sir.

MR. HUME: Has the Canadian Pacific railway made any application to or has it abandoned any pick-up and delivery services in Canada?

A. No, sir.

THE CHAIRMAN: Pardon me, does it charge for it, for this service?

A. In Canada?

Q. Yes.

A. Where we have the pick-up and delivery service, we do not charge for it. In Ontario and Quebec our pick-up and delivery rates for distances in the territory west of Quebec and Megantic to Windsor and the S. & Q. for distances in excess of 375 miles we plus our class scale to include the pick-up and delivery service.

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MR. HUME: Q. Am I correct, then, Mr. Jefferson, in the understanding I have of the matter, that the reason why some of the American railroads are now abandoning that service is because they are finding it too expensive to carry on any longer?

A. In some areas that is so.

Q. And would you say that any studies you know of in your railroad would indicate that that was so in Canada?

A. No, sir.

Q. Then I wanted just to discuss with you my fourth point very briefly, on the question of this less than carload movement. First of all in order to establish the thing on the record, I notice that the Canadian Pacific Railway in its submission adopts the submissions of the Railway Association .

A. Yes, sir.

Q. And the Railway Association in one of its submissions had an appendix known as Exhibit 121. You are familiar with that exhibit? The appendix?

A. I have seen it, yes.

Q. And in Exhibit 121, they have a graph which they call Exhibit 6, in which they show the cost per net ton mile of railway operations for l.c.l. and carload against truck operations, and they have set out lines for the various weights of truck.

MR. EVANS: Mr. Hume, does not that show on the body of the submission, the Canadian National cost?

MR. HUME: I think it does, yes. Mr. Gaffney in his evidence indicated these were based on

Canadian National figures. I believe that is correct, Mr. Jefferson?

A. Yes, sir.

Q. Having adopted this submission as you have done in your brief, did you check any of these figures against the Canadian Pacific Railway cost to indicate whether they were - -

A. I did not, no, sir.

Q. Do you know whether it was done?

A. No, sir, I don't.

Q. So that when, as you state at page 117 of your Brief, you adopt this submission, you are adopting it on the basis of these being Canadian National figures and not necessarily relating to your company?

A. That is right.

Q. But would you think, Mr. Jefferson, that some of the conclusions that appear in this graph as to the cost for l.c.l. movement and 13 ton truck movement, for example, might be comparable between the Canadian National and the Canadian Pacific?

A. I would not think, so far as the railways are concerned, that there would be any great difference.

Q. So that if the graph shows the situation based on the Canadian National figure, you think that perhaps the Canadian Pacific figures would show almost the same result?

A. They would be reasonably comparable.

Q. And this graph shows the cost in cents per

net ton mile for the different distances. You may recall, Mr. Jefferson, that up to nearly 100 miles (I think it is 97 miles) the 13 ton truck is much more economical than the railroad was up to 100 miles, and the figures - -

THE CHAIRMAN: What kind of truck?

MR. HUME: Thirteen ton truck.

A. That may be, I don't know.

Q. And that over this the graph shows that the railway is a more economical means of moving freight?

A. Well, I don't know.

Q. I just wondered whether or not you were in the courtroom when Mr. Gaffney was being cross-examined by my friend, Mr. Frawley, in which he read from a Senate document of an investigation in the United States with regard to the comparison between truck movement and railway l.c.l. movement?

A. No, sir.

Q. Do you remember that?

A. No, sir.

Q. It appears in Volume 49, at page 9366 to 9373, in which the American investigation indicated that in that country under average conditions the truck is more economical than rail for less than carload quantities. Would you say that was true of Canada?

A. For what distance?

Q. They did not define it to distance, but I suppose we will say 100 miles, what you might call short haul.

A. And what is your question?

Q. Would you say that would be true in Canada?

A. That the carriage of less than carload traffic by truck was cheaper than by railroad?

Q. Yes, up to 100 miles.

A. Personally I don't know, but it may be somewhat cheaper to handle by truck for short distances than by railroad, though I don't know what the line of demarcation would be.

Q. So that you don't know of any study indicating where the truck becomes a more economical means of transportation than the railroad on less than carload lots?

A. No, sir, but I think you would find that the volume of traffic carried, less than carload traffic carried, by the railroad for distances under 50 miles was very very small, and between 50 and 100 would not be large.

Q. So that most of the l.c.l. movement is over 100 miles on the railway?

A. I would think so.

Q. And this free pick-up and delivery service that you operate now, you would say most of it applies to distances of over 100 miles?

A. I would think so. I don't know that I would draw the line as far as 100 miles. I would rather you would say 50 miles.

Q. Well, you said 50 and then up to 100 miles it was not much different.

A. I said it would be more than up to 50, but I would not think it would be particularly large.

Q. And this free pick-up and delivery service that you provide, would you care to give me an estimate as to what percentage of that freight is over 50 miles?

A. No, sir, I would not; I don't know.

Q. Then, Mr. Jefferson, the last thing that I wanted to discuss with you, because I think you are possibly the witness for the Canadian Pacific Railway who might be able to have some information on the subject, is whether or not you know of a development that is taking place in the United States where truck trailers are being moved on flat cars on a joint movement between the trucking industry and the railroads?

A. Between the trucking industry and the railroads?

Q. Yes. Well, the railroads are carrying the trucks on flat cars and they are both making something out of the movement of freight.

A. Well, I do know that there are some instances in the United States where truck trailers, as you term them, are put on to flat cars.

THE CHAIRMAN: Pardon me, what do you say are placed on a flat car? Trucks are placed?

A. Truck trailers are placed on a flat car at a shipping point and carried to a destination, and then the trailer is taken off the flat car for delivery at that point or in the surrounding area. I don't know how extensive the arrangement in the United States is, but we have not any such arrangement in Canada.

MR. HUME: Q. Has the Canadian Pacific Railway considered the possibility of making such arrangements with the trucking industry in Canada?

A. We have been asked to carry truck trailers on flat cars in one or two districts in Canada, but after investigating them and the revenue we could obtain for hauling the trailer, the car mile revenue was so low that it would not be compensatory and we would not handle the traffic.

Q. Well, I received this morning, Mr. Jefferson, a copy of an article that appeared in a magazine called the "Traffic World". I had not heard of it. Do you know of that magazine?

A. Yes.

Q. Is it the shippers' magazine in the United States?

A. It is a magazine published by a corporation, that contains, you might say, railroad news, trucking news, shipping news, Interstate Commerce Commission decisions, and what not. It is a general magazine that has a very wide distribution in the United States. It is published in Washington and Chicago.

THE CHAIRMAN: Pardon me, in this case where you say you refused to carry these trailers -

A. Yes, sir.

Q. I assume that there is no question about carrying them as ordinary freight at ordinary freight charges?

A. No, sir, but the rate we could obtain for the carriage of the trucks - -

Q. Is too low. Yes, I see.

A. We could not afford to do it.

COMMISSIONER INNIS: These were not your own trucking lines?

A. One of them was, yes.

Q. In the case of the United States, those would be all incoming contracts.

MR. HUME: Yes, they are. I have some photographs I am going to file in a moment showing this movement in Boston for the information of the Commission; but this article came to me this morning dealing with this, and Mr. Jefferson has very kindly put on the record what this magazine is from which this article was printed. It was received this morning, dated February 11, and it deals with this very subject. I wondered, Mr. Jefferson, if you could tell me perhaps a little more about it?

A. I have not seen that issue.

Q. Well, I have not either, and this was sent to me in the mail with no comment. The article points out that the loss of traffic by the railroads to the highways is a matter of concern for everybody. They say it is with this thought in mind that they resurrect that idea with the hope of reintroducing it from a fresh viewpoint. "We do this with the full realization that we, as a shipper, do not have a direct interest in the matter. We are therefore introducing the subject with the sole intent of pointing out to the railroads a form of service which, if pursued, might be made successful and to their advantage". Then they talk about

arrangement of carrying trucks on flat cars, and they point out first of all that the Chicago Great Western Railway have such an arrangement. Did you know that?

A. Yes, sir, they have.

Q. That the New York, New Haven and Hartford Railway have such an arrangement?

A. Yes, sir.

Q. And that the Denver and Rio Grande Western Railway has such an arrangement?

A. I don't know.

Q. You don't know as to that?

A. No, sir.

Q. The article goes on to say, and I would just like to read this sentence which goes under the quote "If you can't lick them, join them" philosophy. You agree with that, Mr. Jefferson?

A. Not altogether, no, sir.

Q. Now then, I have some photographs that I want to file as an exhibit. I just wanted to ask you one or two questions about these photographs that will be apparently Exhibit 176. There is a set of three photographs in the exhibit. The first one - I might say Mr. Chairman that having heard of this movement and thinking that it might be of some interest to the Commission, I sent to Boston and had these photographs taken, and only received six copies, so that I regret that I have not got copies for counsel. But there are three photographs the first of which, the top one, is a photograph depicting these trailers on flat cars on a train

apparently being made up. Would you say that is what it was, Mr. Jefferson? It was made on January 28, 1950, according to the notation on the back.

A. Yes, sir.

MR. CARSON: He says "yes" but he cannot prove the date for you.

MR. HUME: No, but this is not a trial, Mr. Carson.

MR. CARSON: Sometimes I forget that now.

MR. FRAWLEY: Some people are a trial.

MR. HUME: It shows the flat cars with the trailers on the back, and they look to be, some of them are obviously the same company, because they have numbers on them, but they look to be different. The second photograph shows two parallel lines of flat cars with these different trailers on. It looks like about seven flat cars in each line. The third photograph shows the loading platform and it shows the actual loading of these trailers.

. . . . EXHIBIT 176...filed by	:	Three Photo-
Mr. Hume.	:	graphs illus-
	:	trating carriage
	:	of truck trailers
	:	on flat cars.

(Page 15590 follows)

THE CHAIRMAN: Can you tell us what the point is about this?

MR. HUME: I am not trying to prove anything, Mr. Chairman, except to discuss with Mr. Jefferson and to illustrate to the Commission that this competitive problem that we have heard about, that this might be one of the solutions and it is something that is actually taking place in the United States and we then merely describe it which is the reason I had these photographs taken.

THE CHAIRMAN: That is the carrying of trailers by the railway?

MR. HUME: Yes, I was about to describe to Mr. Jefferson what took place and then that matter will be before the Commission as to exactly how this works.

COMMISSIONER INNIS: Does the Interstate Commerce Commission preclude or prevent railways owning truck lines in that state?

MR. HUME: I think, Dr. Innis, the answer to your question is yes, and I recall that in the submission of the Canadian Automotive Transportation Association there was quoted in that Submission a statement issued by the Interstate Commerce Commission to the effect that they would not permit the extension of railways into the trucking industry in the United States.

COMMISSIONER INNIS: Would this involve then a separate contract or some working arrangement or some sort of subsidiary ownership?

MR. HUME: I think that will develop as I discuss this matter with Mr. Jefferson because he apparently knows of this movement and I am grateful to him for whatever information he can give me about it. I have certain information about it but with this witness,

I think I can get the picture. I understand, Mr. Jefferson, dealing with this particular movement which is the New York-New Haven Railroad, that it runs between Boston and New York?

A. The railroad runs there, yes.

Q. This movement of carrying these trucks on flat cars is between Boston and New York and return?

A. I know the New Haven Railroad do carry trucks on their cars between Boston and New York. Whether they are carrier-owned trucks or subsidiary line trucks or commercial trucks, I don't know.

Q. Well, my information is that they are all independently owned and that they have set up a rate of \$56 a flat car.

A. Independently owned by whom?

Q. By trucking concerns that have no connection with the railroad at all.

A. Well, I would not agree with that.

THE CHAIRMAN: Do you mean that you do not know or .you do not think it is probable?

A. I know that the New Haven Railroad have a subsidiary trucking line. Whether they are hauling their own trucks on flat cars between New York and Boston or whether they are handling commercial trucks between New York and Boston or both, I don't know.

MR. HUME: Mr. Jefferson, may I direct your attention perhaps then to the top of these photographs on which I see the trailers for a Company known as "M. and N.". Take the one at loading platform; as to the names of the companies who own these trucks, I just want to direct your attention to the fact, Mr. Jefferson, that one is known as "M. and N.". You can see

that various of these trailers have that stamp?

A. I see "M. and N." but I don't know what it means.

Q. Then there is one which is called the Rand Company. That is owned by the Rand Company?

A. I would have to have a magnifying glass to read it.

Q. That says "Rand Company".

A. Is that a truck?

Q. That is a tractor and right behind it is a railway car. Do you recognize the railway car?

A. There is a coach behind it.

THE CHAIRMAN: There is something there with the word "motor" on it. Is it "Motor Lines Incorporated"?

MR. HUME: Yes, that is another company. I am trying to point out that right in this photograph there are apparently several different trucking companies on that very platform waiting to be loaded.

THE CHAIRMAN: Now, would you tell us what you are seeking to establish here? You see, you are cross-examining a witness on something he has not said anything about so far as I know. What is it you are trying to establish? What is your theory here, if you have one?

MR. HUME: Only, Mr. Chairman, that this may be a matter of possible interest to the Commission from the standpoint of the general problem about which you have been hearing for many days.

THE CHAIRMAN: Tell me this; what is the problem here that you think this throws light on?

MR. HUME: The problem between the railways and the highways for the revenue-producing freight, and this is one way in the United States, Mr. Chairman,

where I am advised that both the railways and the trucking industry make something out of the movement of freight. If this railway did not carry these trailers from Boston to New York and they travelled by road, the railway would get nothing.

THE CHAIRMAN: When they travel by rail this way, are they full or empty?

MR. HUME: They are both because my instructions are that if the trailer is full, the railway receives \$56 for the flat car and if a truck is empty the railway receives \$28, and this information which I just received this morning indicates that it is apparently successful because they are both making something.

THE CHAIRMAN: Now these trailers, are they intended to continue travelling along on their cars?

MR. HUME: No, what happens Mr. Chairman is that if you look at one of the photographs, the motor part, the engine part of the truck apparently takes the truck up on the flat car (it is shown in one of these photographs) and then the engine part leaves it in Boston and the railway then moves that trailer full of whatever it may be to New York and then, in New York, the Company have another tractor that picks up --

THE CHAIRMAN: What Company?

MR. HUME: The transport company, the truck company, and all the railways do is move the trailer full of merchandise from Boston to New York and other points.

THE CHAIRMAN: These goods would not travel from Boston to New York by highway if they travelled by rail?

MR. HUME: That is correct.

COMMISSIONER ANGUS: The shipper, I suppose, has no contractual relation except with the trucking company?

MR. HUME: That is correct, a shipper has no contract only with the trucking company.

THE CHAIRMAN: The railway is a sort of sub-contractor?

MR. HUME: That is correct and I merely wanted to say to the Commission that this was going on in the United States and to ask Mr. Jefferson whether the Canadian Pacific Railway has ever considered this as a possible solution in Canada?

THE CHAIRMAN: Has any motor company considered it?

MR. HUME: I doubt it.

THE CHAIRMAN: You are appearing for the industry. Have you made any proposition to either of the railways to carry on in this way?

MR. HUME: I doubt it very much, Mr. Chairman, because the motor industry is not complaining to anybody that they need more revenue or that they need more freight. They are apparently happy as they are.

THE CHAIRMAN: But they are willing to share their happiness with the railways?

MR. HUME: I think it is even more than that because my instructions are that this movement inures to the benefit of everybody because the trucking company saves the gasoline, the wear and tear on vehicles and tires and everything else and the trucker is quite willing to pay \$56 to the New York-New Haven Railroad to get that trailer moved from Boston to New York, and it is a movement, I think, that takes place

every night. It is an overnight movement, I take it?

THE WITNESS: Yes, that is right.

MR. HUME: Mr. Jefferson has already said he does not know about the rate so I have stated my information on that rate.

MR. CARSON: He wants to be as helpful as he can but he does not know who "M. and N." are and so on.

MR. HUME: I realize that. Mr. Jefferson, would you say that in your opinion such an arrangement would be to the benefit of Canadian Railways, say, between Toronto and Montreal?

A. I would say that in any study that I have made of it, I cannot find that the earnings that we would receive for handling trailer trucks on flat cars would be compensatory. The study that I have made is for movement between Montreal and Toronto and between Calgary and Edmonton, and there is no money in the traffic. It would have to have special cars, special facilities for loading and unloading the trucks, and we have not found any compensation in such a movement.

THE CHAIRMAN: Well, have you ever had negotiations with any trucking company about such movements?

A. We have had requests, yes, sir, and we declined them.

MR. HUME: And having declined them, Mr. Jefferson, then the truck that moves between the points you mention stays on the highway and the railways do not get any part of that revenue at all?

A. We get what we can by railroad and the truckers get what they can by highway.

Q. My question is that the truckers, that is, when the trailer of the truck is not carried by railway but now

goes by road, the railway gets no revenue from the benefit of that movement?

A. That is right.

Q. Do you not think this is a possible solution for the competitive problem as you have stated it?

A. Not unless we could make some money for handling the truck and I have not been able to find that we can.

COMMISSIONER ANGUS: Would it not be entirely a question of the rate you were paid?

A. Yes, sir.

COMMISSIONER INNIS: Mr. Jefferson, would it have something to do with the density of traffic between two large metropolitan centres such as Boston and New York?

A. The volume between Boston and New York would be very extensive. You might have a trainload of it every night. The volume between Montreal and Toronto, or between Calgary and Edmonton would not be so extensive.

Q. Your view is that it would be rather decisive?

A. Yes, sir.

MR. HUMÉ: I take ^{it}/then, Mr. Jefferson, that you would not agree with the concluding paragraph of this article which starts out:

"The railroads ought to assume the responsibility for making the first overtures in this direction?"

A. Not if there is no money in it.

MR. EVANS: Dr. Innis, I think you might be interested. There has been some container studies and I think the Board made studies which dealt with that very question of the density and the movement in both directions. I think a member of the Federal

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Board, Mr. Eastman, made several studies and I think one of them was a container study.

MR. HUME: Thank you, Mr. Jefferson.

CROSS-EXAMINATION BY MR. MACPHERSON

Q. Mr. Jefferson, when Mr. Carson was examining you the other day at Page 15158, he asked you this question:

"Now, I want to bring you back to this question of what commodities were included in the Crow's Nest Pass Agreement of 1897?" and the answer was:

"Grain and flour."

A. Yes, sir.

Q. But grain and flour were not the only commodities that were mentioned in the Crow's Nest Pass Agreement of 1897?

A. They were the only commodities mentioned for the eastbound movement.

Q. Were they the only commodities mentioned in the Agreement?

A. No, sir, there are other commodities mentioned for westbound movement.

Q. And there were quite a number of these, were there not?

A. Yes, sir, I believe there were, I suppose, eight or ten perhaps.

Q. I think there were thirteen.

A. That may be.

Q. And in respect of these thirteen there were to be reductions in the freight rate charged percentagewise?

A. That is right, yes, sir.

Q. Now, I have the Act before me Chapter V of the Statutes of 1897, and I think this would be right for the record that these items would be -- on green and fresh fruits they were to be reduced $33\frac{1}{3}$ per cent from the rate applied?

A. Yes, sir.

Q. Coal oil 20 per cent.

A. Yes, sir.

Q. Cordage and binder twine, 10 per cent?

A. Yes, sir.

Q. Agricultural implements of all kinds set up or in parts, 10 per cent?

A. Yes, sir.

Q. Iron including bar bands, Canada plates, galvanized sheet, pipe, pipe fittings, nails, spikes and horse shoes 10 per cent?

A. Yes, sir.

Q. All kinds of wire 10 per cent?

A. Yes, sir.

Q. Window glass, 10 per cent?

A. Yes, sir.

Q. Paper for building and roofing purposes 10 per cent?

A. Yes, sir.

Q. Roofing felt, boxes and packing, 10 per cent?

A. Yes, sir.

Q. Paints of all kinds and oils, 10 per cent?

A. Yes, sir.

Q. Livestock, 10 per cent?

A. Yes, sir.

Q. Wooden ware, 10 per cent?

A. Yes, sir.

Q. And household furniture, 10 per cent?

A. Yes, sir.

Q. Now, until this Agreement was suspended in 1918, the benefits of these reductions applied in respect of commodities in the classifications moving West?

A. I believe that is right, subject to the increases in 1917, and the general increases and reductions in 1918, 1920, and 1921.

Q. But I said 1917; the first increase was 1917, was it not?

A. No, sir, March, 1918.

Q. So, in 1918 there was a suspension, not only in respect of the grain and flour but the other commodities that I have mentioned in respect of their movement West?

A. That is right.

Q. And while, in 1922, the rates on grain were restored, the rates were never restored in respect of these other items?

A. No, sir. As I recall it, the suspension of the Act on the westbound rates was extended from year to year until 1925 when the suspension was withdrawn and then it carries published tariffs with the westbound Crow's Nest rates on the basis of the original Crow's Nest westbound rates from and to points on the lines of railway in existence in 1897.

Q. Well, Mr. Jefferson, insofar as the rates are concerned is this not the fact, that once the rates were suspended in 1918, they remained suspended until 1925?

A. I believe that is the date, yes, sir.

Q. In the interim on grain rates, the grain rates had been restored in 1922?

A. That is right.

Q. The others had not been restored?

A. They had not, but they were later restored.

Q. Were they restored in 1925?

A. Yes, sir, or 1924 -- I don't know the exact date.

Q. Well, now, what benefit, -- You are asking this Commission to recommend that sub-section V be partially deleted from Section 325, and that the whole of sub-section VI be deleted?

A. That is right.

Q. You are asking for that?

A. Yes, sir.

Q. And I am suggesting to you that when Parliament passed these amendments to the Railway Act that you are now asking to be deleted, that at that time all benefit under these rates in respect of movement westward died as well?

A. They died when?

Q. 1925.

A. Not until after we had restored the westbound rates from and to the points on the lines of the railways that existed in 1897.

THE CHAIRMAN: Was that by some subsequent agreement that you made for partial restoration?

A. No, sir, that was because the law required us to restore the rates, and in restoring them we confined them to the points on the railway that were in existence in 1897.

Q. What law required you to restore them?

A. Because the suspension had expired.

Q. I see. You mean the restoration you made was confined to these old points.

A. Yes, sir.

Q. Well, is that restoration still effective?

A. No, sir.

Q. When were they abolished?

A. Then after we restored the rates from and to the points that existed in 1897, the shippers complained of discrimination because all shipping points and all points of destination on the present lines of the railway, were not included. Then there was a hearing before the Board and the Board's decision was given. Then it was appealed to the Supreme Court, and the westbound agreement was finally cancelled by Act of Parliament, I guess.

MR. MacPHERSON: That is exactly what I have been saying.

THE CHAIRMAN: What year was that then?

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THE UNIVERSITY OF CHICAGO

DEPARTMENT OF CHEMISTRY

LABORATORY OF PHYSICAL CHEMISTRY

CHICAGO, ILLINOIS

1927

REPORT OF THE DIRECTOR

FOR THE YEAR 1927

BY

JOHN EDGAR HOOVER

Director of the Laboratory of Physical Chemistry

CHICAGO, ILLINOIS

1927

CHICAGO, ILLINOIS

1927

CHICAGO, ILLINOIS

CHICAGO, ILLINOIS

CHICAGO, ILLINOIS

CHICAGO, ILLINOIS

1927

CHICAGO, ILLINOIS

A. 1925, but I wanted to make it clear that they did come back again after the suspension in 1918.

Q. I have said that. The suspension took place in 1918 in respect of all rates east or westbound?

A. That is right.

Q. And in 1922 the grain rates were restored?

A. That is right.

Q. But the other rates were not?

A. That is right.

Q. In the interim and while Parliament was still sitting, in the meantime there was a reference to the Supreme Court, and the Supreme Court gave its decision that has been cited here, and the reference to Commissioner Boyce's observation?

A. I merely want to make it clear that before that the rates had been restored and then they were suspended again.

Q. But in any event with the amendments in 1925 to the Railway Act, all the westbound benefits accruing under the Crow's Nest Act went out?

A. Yes, sir, that is correct.

Q. That is what I wish to make clear. Now, the Crow's Nest Agreement or Act was 1897, but the railway company, your company was some considerable number of years before projecting this particular line, is that not so?

A. I believe the Canadian Pacific Railway were projecting a line west from Lethbridge through the Crow's Nest.

Q. Yes, you are familiar with the annual reports of the company?

A. The recent ones. I have never read the annual reports back in those years.

Q. Well, we have had to read a number of them in the past few years, and if you refer to 1892, Mr. Jefferson, five years before this, this is the report which I show you and the map that is attached, and you will see a projected line from Fort McLeod to Nelson?

A. Yes, sir, that is right.

Q. That is about the line of the Crow's Nest Pass Railway, that is through the Crow's Nest?

A. From Lethbridge - -

Q. To Nelson. Now, in 1896 (I will refer you to one more annual report here) the last sentence in the annual report of the company that year to the shareholders, after dealing, as you will notice, for the whole of that page, with Nelson, Rossland, Columbia and Kootenay Railway at Nelson, it ends up this way in the last sentence over the signature of William C. van Horne:-

"The interests of the country at large are so much concerned in this question, that your directors confidently expect reasonable assistance at the hands of the Dominion Government".

That was in 1896.

A. That is what the report says?

Q. That is what the report says.

MR. EVANS: Could I see that, Mr. MacPherson.

MR. MacPHERSON: Q. Now, in your statement the other day, Mr. Jefferson, at page 153 of Part I, you were dealing with the historical outline of the Crow's Nest Pass rates.

A. Yes, sir.

Q. And near the bottom of the page:-

"Under arrangements with the Province of British Columbia, Canadian Pacific by building the line of railway earned the right to certain lands".

Then you go on on the next page and refer to certain coal lands and the sum of \$3,400,000 that you got by way of subsidy. Now, Mr. Jefferson, can you tell me how much by way of lands, you got. You refer to the right to certain lands.

A. I cannot tell you myself, no, sir.

Q. You have not informed yourself on that at all?

A. No, sir.

Q. THE CHAIRMAN: Would not that be in the agreement under the statute?

MR. EVANS: There were no lands under the agreement. We got lands from British Columbia.

THE CHAIRMAN: I know, but they are not expressed in this agreement?

MR. MacPHERSON: No, my lord.

THE CHAIRMAN: That then was a separate agreement.

MR. EVANS: Under the charters of other companies incorporated in British Columbia.

THE CHAIRMAN: Yes, which you acquired. Other companies you say?

MR. EVANS: Other companies.

THE CHAIRMAN: Railway companies?

MR. EVANS: Yes, incorporated in British Columbia, had acquired through their act of incorporation the right to certain lands.

THE CHAIRMAN: And you acquired those companies?

MR. EVANS: And we acquired those companies yes.

MR. MacPHERSON: My lord, if you look at Section 1 (h) of the Crow's Nest Act, it says:-

"If the Company or any other company with whom it shall have any arrangement on the subject, shall by constructing the said railway or any part of it, as stipulated for in the said agreement become entitled to and shall get any land as subsidy from the Province of British Columbia - -"

THE CHAIRMAN: From the government?

MR. MacPHERSON: "...from the Government of British Columbia, then such lands, excepting therefrom those which in the opinion of the Geological Survey of Canada (expressed in writing) are coal-bearing lands, shall be disposed of by the Company or by such other company to the public according to regulations and at prices not exceeding these prescribed from time to time by the Governor-in-Council..... the expression 'lands' including all mineral and timber thereon which shall be disposed of as aforesaid, either with or without the land, as the Governor-in-Council may direct.

Now, I suggest to you, Mr. Jefferson, that there had been a company known as the Crow's Nest and Kootenay Railway Company which had a charter of 1888.

THE CHAIRMAN: Where obtained?

MR. MacPHERSON: In British Columbia I believe. I suggest to you there was such a company.

A. There may be.

Q. You don't know anything of that company?

A. No, sir.

Q. Well, I suggest to you, and you may inform yourself in this connection and I will follow it up tomorrow morning, that there was such a company, the Crow's Nest and Kootenay Railway Company, which had a charter in 1888; that its name was changed to the B.C. Southern Railway; and that that was the company that was taken over by the Canadian Pacific and one of the companies referred to in Section (h). I am suggesting to you further, because you can inform yourself in this regard, that under an agreement the B.C. Southern was to obtain 20,000 acres per mile from the Province of British Columbia, or about 4,700,000 acres, and I am suggesting that there were some three million that the Canadian Pacific received.

A. There was what?

Q. Some three million acres the Canadian Pacific received. Now, you don't know anything of that at the moment?

A. No, sir.

Q. There were certain coal lands which you received. You refer to them at page 154, at the top of page 154?

A. Yes.

Q. "...the Company would convey to Canada fifty thousand acres of coal-bearing lands."

Do you know how much, by way of coal-bearing lands, you received in excess of 50,000 acres?

A. No, sir, I do not.

Q. But in any event, I suggest to you that construction of the so-called British Columbia Southern was not undertaken until the Canadian Pacific itself took over?

A. That may be so; I do not know.

Q. You do not know?

A. No, sir.

Q. I see. I wish you would let me know. And what was to have been part of the British Columbia Southern was part of the Crow's Nest Railway as it was ultimately constructed by the Canadian Pacific, and for which you received a subsidy and, indirectly, lands, coal and otherwise, which were obtained. Did you know anything whatever about that?

A. That is right.

THE CHAIRMAN: We shall take a few minutes for recess.

---Recess.

---Upon resuming:

MR. MacPHERSON: Now, Mr. Jefferson, if we might just go back for a moment to these items, these classifications which were named in the Crow's Nest Act, and which were moving westward, and the benefit of which to the west ceased in 1918 by suspension, and in 1925 by statute.

If you would go over these classifications, I suggest to you that there is a substantial freight movement from the east to the west in these items today.

THE CHAIRMAN: The thirteen items?

MR. MacPHERSON: The thirteen items. Some of them are insignificant, but we will take, for example, "Green and Fresh Fruits".

MR. MacPHERSON: Is there a substantial movement in those commodities from the east to the west?

A. I would not think so by freight, no, sir.

Q. Not by freight?

A. No, sir.

Q. Then would there be, by express?

A. There might be by express, yes, sir.

Q. By express. "Coal oil" does not figure perhaps as much today as it did in 1898?

A. Probably not at all, and if any, very little.

Q. "Cordage and binder twine", that is still quite an item?

A. Yes, sir, but not to the same extent as it was years ago, with the use of combines.

Q. But it is still a substantial item?

A. That is right.

Q. "Agricultural implements of all kinds set up or in parts", that would be a very important item of freight traffic?

A. That is right.

Q. It is true, is it not, that not only is the agricultural implement important, the original implement important, as an item of freight traffic, but parts enter very greatly in Western Canada into the freight traffic?

A. That is right, yes, sir.

Q. "Iron, including bar, band, Canada plates,

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galvanized, sheet, pipe, pipe fittings, nails, spikes and horse-shoes". Excepting horse shoes, I think they would still be a substantial item in freight?

A. That is right.

Q. "All kinds of wire" is still important?

A. Yes, sir.

Q. "Window glass" is still important?

A. Yes, sir.

Q. "Paper for building and roofing purposes"?

A. I would say there is a movement from the east to the west; but there is also a substantial movement today from the Pacific coast to the Prairies, from Vancouver and Victoria.

Q. But there is a substantial item; it is not an inconsequential item in any event?

A. No; I could not give you the volume, but there would be a movement from the east.

Q. "Roofing, felt, box and packing"?

A. I would not think it would be heavy; but the movement would be from the east.

Q. "Paints of all kinds and oils"?

A. They would move both from the east and from the west.

Q. And would be quite an important item of freight?

A. Yes, sir.

Q. "Livestock"?

A. I would say there would be no movement from the east to the west.

Q. Very little, in any event. "Woodenware"?

A. There would be some woodenware from the east to the west.

Q. "Household furniture"?

A. Yes, sir, there would be a movement of that

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from the east to the west.

Q. Now, in one of your exhibits, Exhibit 159, you showed the increase in grain crops of the west from 1898 to 1948 to be about 14 or 15-fold; that they had increased about 14 or 15 times?

A. That is the total?

Q. The total production, yes.

A. What year?

Q. Take the total.

A. I beg your pardon, yes, sir.

Q. About fourteen times?

A. Yes, sir.

Q. So, excepting horse shoes and coal oil, perhaps, I suggest to you it would probably be fair to say that the other items in here which were moving westward and provided for would have increased, from 1898 until today, about fourteen fold?

A. I do not know whether the increase would be fourteen fold or not.

Q. But it would be a great many times what it was in 1898?

A. Yes, sir.

Q. The movement west would have increased a great many times since 1898. No,, when you took over, was there a line from that area to Spokane, in the United States?

A. When we took over?

Q. When you had constructed your line, your Crow's Nest line?

A. Yes, sir.

Q. Was there a line from the area to Spokane?

THE CHAIRMAN: You mean a line then in operation?

MR. MacPHERSON: A line then in operation, yes.

THE CHAIRMAN: From where?

MR. MacPHERSON: From that area, the area into which they built the Crow's Nest Railway.

MR. MacPHERSON: Q. Was there a connection from Spokane, from that area, by rail?

A. From Kingsgate to Spokane?

Q. There was?

A. I do not recall. The Spokane International Railway was built from Kingsgate to Spokane, but I would think it was at or about the same time the Crow's Nest line was built.

Q. What company is that, the International?

A. Spokane International Railway.

THE CHAIRMAN: Q. Was the terminus of that railway at Kingsgate?

A. At Kingsgate, yes, sir.

Q. Is Kingsgate on the Canadian side or the American side?

A. Kingsgate is on the Canadian side, and Eastport is on the American side.

MR. MacPHERSON: Q. Did that line extend further north than Kingsgate at any time?

A. No, sir, it never did.

Q. Kingsgate was as far north?

A. Yes, sir.

Q. So that actually, apart from a short piece of line from the boundary to Nelson, which is the Great Northern, I think?

A. Yes, sir.

Q. Apart from that line, that whole area of southeasterly British Columbia became the preserve of the Canadian Pacific Railway, did it not?

A. The Great Northern Railway had some other interests in what we call the Kootenay area than from

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the boundary to Nelson. The extent of it I could not say at the moment, but the Great Northern used to get into Rossland.

Q. Where is it now?

A. It is gone.

Q. You mean the line was taken up?

A. The Great Northern has no railway in there today.

Q. Has the Great Northern any line in there today?

A. Except from the boundary to Nelson.

Q. Apart from that, the Canadian Pacific has a monopoly in that area today?

A. Yes.

THE CHAIRMAN: Q. Was that International Railway designed to stop at Kingsgate, or was it chartered to run further up?

A. I believe it was designed to stop at Kingsgate and connect with the Canadian Pacific Railway.

MR. MacPHERSON: Q. Now, likewise, this map of yours shows there is nothing but the Canadian Pacific line south of Calgary in the Province of Alberta, is there?

A. That is right.

Q. You have the whole of southern Alberta?

A. Yes, sir.

Q. You have been dealing with the historical aspect of the Crow's Nest. In 1885 the road was completed to Vancouver, the Canadian Pacific?

A. The main line?

Q. The main line.

A. Yes.

Q. The contract had been kept and British Columbia was linked with the rest of Canada?

A. Yes, sir.

Q. And then you had approximately 1,000 miles of

Q. Now, if I could not
get a ticket, would you be
able to get one for me?

A. Yes, sir.

Q. How much would it cost?

A. You have the ticket, don't you?

Q. The ticket is in your pocket, is it not?

A. Yes, sir, it is in my pocket.

Q. Now, if I could not get a ticket, would you be able to get one for me?

A. Yes, sir, I would be able to get one for you.

Q. Now, if I could not get a ticket, would you be able to get one for me?

A. Yes, sir.

Q. Now, if I could not get a ticket, would you be able to get one for me?

A. Yes, sir, I would be able to get one for you.

Q. Now, if I could not get a ticket, would you be able to get one for me?

A. Yes, sir, I would be able to get one for you.

Q. Now, if I could not get a ticket, would you be able to get one for me?

A. Yes, sir, I would be able to get one for you.

Q. Now, if I could not get a ticket, would you be able to get one for me?

A. Yes, sir, I would be able to get one for you.

Q.

A. Yes, sir.

Q. Now, if I could not get a ticket, would you be able to get one for me?

A. Yes, sir.

Q. Now, if I could not get a ticket, would you be able to get one for me?

A. Yes, sir, I would be able to get one for you.

Q. Now, if I could not get a ticket, would you be able to get one for me?

A. Yes, sir.

Q. Now, if I could not get a ticket, would you be able to get one for me?

A. Yes, sir.

Q. Now, if I could not get a ticket, would you be able to get one for me?

A. Yes, sir, I would be able to get one for you.

Q. Now, if I could not get a ticket, would you be able to get one for me?

A. Yes, sir, I would be able to get one for you.

railroad from the eastern boundary of Manitoba to the Rockies with practically no settlement along the line at that time?

A. In 1885?

Q. Yes.

A. That is right.

Q. And I am suggesting to you that beginning, almost coincidentally with this Crow's Nest agreement, the company embarked on a great advertising scheme to bring people into the country?

A. I have no doubt that they did. They wanted to get settlers into the country.

Q. They wanted to get settlers into the country?

A. Yes, sir.

Q. They had those lines of railway and they had 25 million acres of land too, did they not?

A. Speaking now of the main line?

Q. Yes.

A. Yes, sir.

Q. And they needed settlers; and if settlers were coming in, then there had to be some export staple developed in the country?

A. Export?

Q. Some staple had to be produced in the country which could be exported?

A. Yes, sir.

Q. And the Red River had been settled before then, the Red River country around Winnipeg?

A. To a certain extent.

Q. To a certain extent; and grain was being raised?

A. Yes, a small quantity, yes, sir.

Q. And it was more or less obvious that

agriculture was what this agricultural area of 1,000 miles should be devoted to from the eastern boundary of Manitoba to the Rockies?

A. Yes, sir, agriculture; and, I suppose, including livestock.

Q. But not raising peanuts or anything like that; it was going to be grain?

A. That is right.

Q. Now, the railway company would realize that this country, however fertile it might be, was removed some distance from the market?

A. Yes, sir.

Q. And it was in competition, at the same time, with the American railways to the south?

A. Yes, sir.

Q. Who were carrying on much the same sort of advertising campaign in respect of their new states?

A. And I suppose started in the same limited way.

Q. Your company, historically, cooperated in every way with the Department of Immigration of Canada to bring people in?

A. Yes, sir.

Q. And not satisfied merely with doing that, you set up your own colonization branch, and quite properly so?

A. Yes, sir.

Q. And you still have it?

A. That is right.

Q. You still have in the set-up of your company a colonization branch?

A. That is right.

Q. And a good deal of money was spent in all parts of Europe, in the British Isles and in the United

States to bring settlers in there?

A. Yes, sir.

Q. For the purpose of developing the agricultural resources of that country?

A. Yes, sir.

Q. Grain resources, primarily?

A. That is right.

Q. And in bringing them in there was no regard to cost at that time; I mean, you would be familiar with the rates which were charged to the immigrants for bringing them across the Atlantic and out to the west. They were very low?

A. They were low, yes, sir.

Q. And to use your term in respect of freight, they would hardly be sufficient to cover the cost of out-of-pocket costs, I suppose?

A. I suppose.

Q. It is true, as a matter of fact, that some of the American settlers were brought in there free, to various parts of the country? Have you knowledge of that?

A. I have no knowledge of that.

Q. In any event, a great and very fine effort was made to settle that western country, these three provinces?

A. Yes, sir.

Q. And you increased the population?

A. Yes, that is right.

Q. And you increased the population to the point where we have had -- where these people have been producing grain, among other things, as you have indicated in the exhibit which you filed yourself?

A. Yes, sir.

Q. Now, the other day you referred to a comparison with the United States, to points in the United States;

and I think it was at page 104 of the appendix to Part I; have you got it there?

A. Yes, sir.

Q. You are there taking the City of Regina and comparing costs from the City of Regina to Fort William, and the costs from Whately, Montana, to Duluth?

A. Yes, sir.

MR. EVANS: Not the costs.

MR. MacPHERSON: Very well, the freight rates.

MR. EVANS: Yes, but not the costs.

MR. MacPHERSON: The cost to the farmer.

MR. EVANS: Whoever pays the freight rate.

MR. MacPHERSON: I shall be glad to argue that with you at any time: who pays the grain freight rates at any time; but at the moment I simply wish to get these facts on the record.

MR. MacPHERSON: Whately is in Montana?

A. That is right.

Q. Regina is a reasonably important wheat centre, the City of Regina?

A. That is right.

Q. Do you know how important Whately is?

A. I do not know how much grain is shipped from that particular station; but I do know there is a lot of grain shipped from Montana.

Q. Do you know how much grain is raised in Montana?

A. In the State of Montana?

Q. The whole State of Montana. It is a large State.

A. No, I do not know.

Q. I suggest to you that it provides between 20 to 30 million bushels a year.

A. That may be. I do not know the quantity. I do know that the Great Northern Railway handle a lot of grain.

and I think it was of great use to the appendix to the

book, and it is

A. Yes, sir.

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A. Yes, sir.

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Q. 20 to 30 million bushels is about the yield for the State of Montana, which is about one of the largest in the American Union.

In 1898, when this agreement was entered into between the Government of Canada and the Canadian Pacific Railway, the rate from Regina was 23 cents to Fort William?

A. Yes, sir, that is right.

Q. And at that very same time the rate from Whately to Duluth was 40 cents?

A. Yes, sir, that is right.

Q. Now, the directors of the Canadian Pacific at that time were reasonably shrewd gentlemen, were they not?

A. I would think so.

Q. They were men of vision, yet they entered into a contract in perpetuity at a rate 3 cents less than those obtaining, that is, at a rate of 20 cents to Fort William from Regina?

A. Yes, sir.

Q. When the rate from Whately was 40 cents to Duluth?

A. Yes, sir, that is right.

Q. Surely there must have been some other factors involved other than those you have told us of, if your board would enter into an agreement reducing your rate in 1898, when it was only one-half the rate from Whately, which you now say is comparable?

A. I do not know what other factors there were.

Q. I am suggesting to you there must have been some, because, in going back through your annual reports, I find that in 1898 your directors were such men as Lord Strathcona, Sir William Van Horne,

and Sir Thomas Shaughnessy, and they entered into an agreement cutting the rate from 23 cents to 20 cents at the very time when the rate was 40 cents from Whately to Duluth?

A. Yes, that is what they did.

Q. And they made such an agreement obtain for all time?

A. Yes, sir.

Q. And that agreement was entered into in 1898 by the Canadian Pacific?

THE CHAIRMAN: 1897.

THE WITNESS: Yes, sir, 1897.

MR. MacPHERSON: Q. I mean 1897, yes. And in 1897 this agreement was entered into, and at that time the American rate was double the Canadian rate?

A. That is right.

Q. And yet you say that the two rates were comparable?

A. It is nearly three times, today.

Q. We will come to that a little later; but in 1897 it was double?

A. That is right, yes, sir.

Q. And this company, and the directors of it, the board of this company entered into this agreement in perpetuity, fixing it at 20 cents?

A. That is what they did.

Q. That is what they did. Now, according to this page 104, you have taken Regina. You have shown there, in the heavy black line, what the rate would be from Regina to Fort William today if the increases of 21 per cent and 8 per cent had been granted?

A. Yes, sir, and if the reduction, the 1922 reduction had taken place in the grain as it did in

connection with other commodities.

Q. Yes; and only a week or two ago I heard you say before the Board of Transport Commissioners that the rates should go up 15 per cent more?

A. Yes, sir.

Q. So that if -- as I pray does not happen -- if your advice should be followed, and it should go up 15 per cent more, then this Regina cost per 100 pounds to the head of the lakes would be 41.9 cents?

A. If the 36 cents, I think it was, went up another 15 per cent?

Q. Yes?

A. Yes, sir.

Q. And you would think that would be reasonable, according to your evidence before the Board of Transport Commissioners?

A. I would not say it was unreasonable, no, sir.

Q. There is a difference between saying it is not unreasonable and it is reasonable. Would you say that would be a reasonable rate to charge from Regina?

A. I would say so, yes.

Q. I am trying to find out what it is going to mean to the people of the Province of Saskatchewan.

THE CHAIRMAN: Would it be 41.9 cents?

MR. MacPHERSON: Would it be 41.9 cents? Your recommendation, as a reasonable rate on grain from Regina to Fort William, would be 41.9 cents per 100 pounds?

A. If that calculation is correct.

Q. If you knocked off a cent and a half and made it 40 cents?

A. All right.

Q. Would you say that 40 cents would be reasonable?

A. Yes, sir.

Q. 40 cents you say would be reasonable, which just means this: in so far as the farmer in that area is concerned, he would be paying exactly twice what he is now paying?

A. Yes, sir, but he is getting more than twice the price for his wheat than he had at the time the agreement was made. He is getting far more than that.

Q. We shall deal with that, too, before we are finished. I am afraid there is not very much certainty as to how long he will be guaranteed that price. Have you any ideas in that connection?

A. I do not suppose I have any more idea of it than there is certainty of life.

Q. I was wondering this morning when you gave evidence in answer to some of Mr. Frawley's submissions, and there was one sentence which was included there which I wanted to see how you would apply to a situation in Regina, or in Saskatchewan, or in the Prairies, if there were this doubling of the rate price.

A. What is that?

Q. Doubling of grain rates to the head of the lakes or to Vancouver. This is page 129 of Part II?

A. Yes, sir.

Q. You said there:

". . . that the alternative would be to raise the rates on raw materials. If this were done, it would be difficult to make the changes in such a way that serious disturbance to existing industry could be avoided."

A. Yes.

Q. Now?

A. That has nothing to do with grain; that has to do with livestock.

Q. I am making it apply to grain, and I suggest to you that if, having regard to the history of the western prairies and the growing of grain, I suggest to you that grain is a raw product, is it not?

A. Yes, sir.

Q. Yes. I am suggesting to you that the raising of grain is an industry of some consequence to this country?

A. Yes, sir.

Q. And I am suggesting to you if you double that rate which you suggest is reasonable, then there will be disturbance, and a serious disturbance to the industry in that country?

A. I would not agree with that statement.

Q. You would not agree with that statement?

A. No, sir.

Q. You would not agree that doubling the rate would not affect it at all?

A. No, sir.

Q. Well, we will come back to that again. But in any event, what I wanted to find from you is: What you would regard as a reasonable rate to charge from Regina to the head of the lakes?

A. I am not setting the rate from Regina to the head of the lakes. That is a matter which we feel has got to be settled by the Board of Transport Commissioners. I am saying to you that I would not think 40 cents would be an unreasonable rate on grain to Fort William from Regina.

Q. If you were giving evidence before the Board of Transport Commissioners, you would say that 40 cents

1. *Phragmites australis* (Cav.) Trin. ex Steud.

Figure 1. The effect of the initial concentration of the monomer on the polymerization of α -methylstyrene initiated by TiCl_4 in CH_2Cl_2 at -78°C . The polymerization was carried out in the presence of 0.01 mole of TiCl_4 and 0.01 mole of CH_2Cl_2 in 10 ml of CH_2Cl_2 . The initial concentration of the monomer was varied from 0.01 to 0.1 mole/l.

... ..

For this purpose, the following assumptions are made:

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1. $\mathcal{L}(\mathbf{y}|\mathbf{X}) = \prod_{i=1}^n \mathcal{L}(y_i|\mathbf{X}_i)$ (iid)

... ..

1. *Adm. Serv. Div.*

...dame et de l'effort d'ailleurs, nous tenons à...

$\frac{d}{dt} \left(\frac{\partial L}{\partial \dot{x}} \right) = \frac{\partial L}{\partial x}$

[illegible]

would be a reasonable rate?

A. I do not know whether I would say it would be reasonable or not. I would say it would not be an unreasonable rate. A reasonable rate might be higher.

Q. You say a reasonable rate might be higher?

A. I do not want to tie myself down to a rate.

Q. The least we could expect in Regina would be the doubling of the rate?

A. That may be.

Q. That would be your recommendation in your case?

A. I am not positive of that; I do not know; it would be something in the vicinity of 40 cents.

Q. It would be something in the vicinity of 40 cents?

A. Yes, sir.

Q. Which would be either doubling, or nearly doubling, or more than doubling?

A. Yes, sir.

Q. One thing I want to show you in connection with this map --

A. Yes, sir.

Q. I have pointed out that this is your own map, Exhibit 168.

A. Yes, sir.

Q. And I have pointed out that in southern British Columbia your company has a monopoly of rail transportation.

A. In rail transportation?

Q. Yes; and the same is true of southern Alberta?

A. South of Calgary, yes, sir.

Q. And this map shows along the international boundary how various American lines have come to the border and stopped.

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A. That is right.

Q. And that obtains clean across the southern part of these three provinces?

A. All the Prairie Provinces.

Q. And British Columbia, except for the Great Northern going into Vancouver?

A. That is right.

Q. In order to preserve the trade east and west in the country, these railways stop at the border, these American railways?

A. I won't say "preserve east-west movement", because we interchange a lot of north and southbound traffic.

THE CHAIRMAN: Would you mind repeating, please?

A. I would not say it is to preserve east-west movement. We interchange a lot of north and southbound traffic with the railways with which we connect at the boundary.

MR. MacPHERSON: How much wheat do you exchange?

A. I do not suppose we would exchange any.

Q. Or grain of any kind?

A. Or grain, of any consequence.

THE CHAIRMAN: We shall adjourn now until tomorrow morning.

---At 4.45 p.m. the Commission adjourned until tomorrow, Friday, February 17, 1950, at 10.30 o'clock a.m.

A.R.

Canine

ROYAL COMMISSION
ON
TRANSPORTATION

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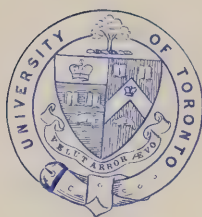
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ROYAL COMMISSION ON TRANSPORTATION

OTTAWA, ONTARIO
FRIDAY
FEBRUARY 17, 1950.

THE HONOURABLE W.F.A. TURGEON, K.C., LL.D. - CHAIRMAN

HAROLD ADAMS INNIS - COMMISSIONER

HENRY FORBES ANGUS - COMMISSIONER

G. R. Hunter
Secretary

P. L. Belcourt
Asst. Secretary

COUNSEL APPEARING:

F.M. Covert, K.C.	}	Royal Commission on Transportation
G.C. Desmarais, K.C.		
A.H. Hart	)	Canadian National Railways
C.F.H. Carson, K.C.	}	Canadian Pacific Railway
F.C.S. Evans, K.C.		
I.D. Sinclair		
C.D. Shepard	)	Province of Manitoba
M.A. MacPherson, K.C.	)	Province of Saskatchewan
J.J. Frawley, K.C.	)	Province of Alberta
F.D. Smith, K.C.	)	Province of Nova Scotia; Transportation Commission of the Maritime Board of Trade
J. Paul Barry	)	Province of New Brunswick
C.W. Brazier	)	Province of British Columbia
F.R. Hume	}	Canadian Automotive Trans- portation Association
M.L. Rapoport		

Ottawa, Ontario,
Friday, February 17, 1950

MORNING SESSION

MR. EVANS: My lord, before Mr. MacPherson proceeds with his cross-examination, Mr. Jefferson has taken out some information in response to some questions asked him yesterday. I think it might be convenient if your lordship agreed that he give that information before the cross-examination is continued.

THE CHAIRMAN: Information about what?

MR. EVANS: Some information asked him yesterday about export wheat from the United States, domestic export wheat.

C. E. JEFFERSON - Recalled.

THE WITNESS: At page 15201 of the transcript on Tuesday, the 14th of February, Mr. Commissioner Innis asked me about the rates for local movements of grain within Montana and North Dakota in comparison with rates to Duluth, and I have an exhibit to file.

THE CHAIRMAN: That will be Exhibit 177.

EXHIBIT NO. 177 -- Statement of Mileage
Rates applying on grain
and grain products.

THE WITNESS: This Exhibit 177 is a statement of the mileage rates applying on grain and grain products from stations on the Great Northern railway in Montana to stations on the Great Northern railway in North Dakota, and from stations on the Great Northern railway in North Dakota to stations on the Great Northern railway in Minnesota, in comparison with the rates for local movements of grain on the Canadian Pacific railway between stations Port Arthur and west to the Pacific coast.

This exhibit would show that the rates for the domestic movements from and to points in the States I have

6. The following are the names of the persons who have been appointed as members of the committee:

Name	Address
Mr. J. H. Smith	No. 101 Main St., New York City
Mr. Wm. A. Brown	No. 123 Broadway, New York City
Mr. C. E. Jones	No. 456 Third Ave., New York City
Mr. R. L. White	No. 789 Fifth Ave., New York City
Mr. T. M. Black	No. 1010 Sixth Ave., New York City
Mr. S. P. Green	No. 1212 Seventh Ave., New York City
Mr. D. K. Grey	No. 1414 Eighth Ave., New York City
Mr. F. G. Blue	No. 1616 Ninth Ave., New York City
Mr. B. N. Yellow	No. 1818 Tenth Ave., New York City
Mr. V. I. Purple	No. 2020 Eleventh Ave., New York City
Mr. Q. U. Pink	No. 2222 Twelfth Ave., New York City
Mr. X. Z. Orange	No. 2424 Thirteenth Ave., New York City
Mr. Y. W. Red	No. 2626 Fourteenth Ave., New York City
Mr. Z. V. Green	No. 2828 Fifteenth Ave., New York City
Mr. A. S. Blue	No. 3030 Sixteenth Ave., New York City
Mr. H. R. Yellow	No. 3232 Seventeenth Ave., New York City
Mr. G. T. Purple	No. 3434 Eighteenth Ave., New York City
Mr. K. L. Pink	No. 3636 Nineteenth Ave., New York City
Mr. J. M. Orange	No. 3838 Twentieth Ave., New York City
Mr. I. N. Red	No. 4040 Twenty-first Ave., New York City
Mr. O. P. Green	No. 4242 Twenty-second Ave., New York City
Mr. U. Q. Blue	No. 4444 Twenty-third Ave., New York City
Mr. W. X. Yellow	No. 4646 Twenty-fourth Ave., New York City
Mr. Y. Z. Purple	No. 4848 Twenty-fifth Ave., New York City
Mr. A. B. Pink	No. 5050 Twenty-sixth Ave., New York City
Mr. C. D. Orange	No. 5252 Twenty-seventh Ave., New York City
Mr. E. F. Red	No. 5454 Twenty-eighth Ave., New York City
Mr. G. H. Green	No. 5656 Twenty-ninth Ave., New York City
Mr. I. J. Blue	No. 5858 Thirtieth Ave., New York City
Mr. K. L. Yellow	No. 6060 Thirty-first Ave., New York City
Mr. M. N. Purple	No. 6262 Thirty-second Ave., New York City
Mr. O. P. Pink	No. 6464 Thirty-third Ave., New York City
Mr. Q. R. Orange	No. 6666 Thirty-fourth Ave., New York City
Mr. S. T. Red	No. 6868 Thirty-fifth Ave., New York City
Mr. U. V. Green	No. 7070 Thirty-sixth Ave., New York City
Mr. W. X. Blue	No. 7272 Thirty-seventh Ave., New York City
Mr. Y. Z. Yellow	No. 7474 Thirty-eighth Ave., New York City
Mr. A. B. Purple	No. 7676 Thirty-ninth Ave., New York City
Mr. C. D. Pink	No. 7878 Fortieth Ave., New York City
Mr. E. F. Orange	No. 8080 Forty-first Ave., New York City
Mr. G. H. Red	No. 8282 Forty-second Ave., New York City
Mr. I. J. Green	No. 8484 Forty-third Ave., New York City
Mr. K. L. Blue	No. 8686 Forty-fourth Ave., New York City
Mr. M. N. Yellow	No. 8888 Forty-fifth Ave., New York City
Mr. O. P. Purple	No. 9090 Forty-sixth Ave., New York City
Mr. Q. R. Pink	No. 9292 Forty-seventh Ave., New York City
Mr. S. T. Orange	No. 9494 Forty-eighth Ave., New York City
Mr. U. V. Red	No. 9696 Forty-ninth Ave., New York City
Mr. W. X. Green	No. 9898 Fiftieth Ave., New York City
Mr. Y. Z. Blue	No. 10101 Fifty-first Ave., New York City
Mr. A. B. Yellow	No. 10303 Fifty-second Ave., New York City
Mr. C. D. Purple	No. 10505 Fifty-third Ave., New York City
Mr. E. F. Pink	No. 10707 Fifty-fourth Ave., New York City
Mr. G. H. Orange	No. 10909 Fifty-fifth Ave., New York City
Mr. I. J. Red	No. 11111 Fifty-sixth Ave., New York City
Mr. K. L. Green	No. 11313 Fifty-seventh Ave., New York City
Mr. M. N. Blue	No. 11515 Fifty-eighth Ave., New York City
Mr. O. P. Yellow	No. 11717 Fifty-ninth Ave., New York City
Mr. Q. R. Purple	No. 11919 Sixtieth Ave., New York City
Mr. S. T. Pink	No. 12121 Sixty-first Ave., New York City
Mr. U. V. Orange	No. 12323 Sixty-second Ave., New York City
Mr. W. X. Red	No. 12525 Sixty-third Ave., New York City
Mr. Y. Z. Green	No. 12727 Sixty-fourth Ave., New York City
Mr. A. B. Blue	No. 12929 Sixty-fifth Ave., New York City
Mr. C. D. Yellow	No. 13131 Sixty-sixth Ave., New York City
Mr. E. F. Purple	No. 13333 Sixty-seventh Ave., New York City
Mr. G. H. Pink	No. 13535 Sixty-eighth Ave., New York City
Mr. I. J. Orange	No. 13737 Sixty-ninth Ave., New York City
Mr. K. L. Red	No. 13939 Seventieth Ave., New York City
Mr. M. N. Green	No. 14141 Seventy-first Ave., New York City
Mr. O. P. Blue	No. 14343 Seventy-second Ave., New York City
Mr. Q. R. Yellow	No. 14545 Seventy-third Ave., New York City
Mr. S. T. Purple	No. 14747 Seventy-fourth Ave., New York City
Mr. U. V. Pink	No. 14949 Seventy-fifth Ave., New York City
Mr. W. X. Orange	No. 15151 Seventy-sixth Ave., New York City
Mr. Y. Z. Red	No. 15353 Seventy-seventh Ave., New York City
Mr. A. B. Green	No. 15555 Seventy-eighth Ave., New York City
Mr. C. D. Blue	No. 15757 Seventy-ninth Ave., New York City
Mr. E. F. Yellow	No. 15959 Eightieth Ave., New York City
Mr. G. H. Purple	No. 16161 Eighty-first Ave., New York City
Mr. I. J. Pink	No. 16363 Eighty-second Ave., New York City
Mr. K. L. Orange	No. 16565 Eighty-third Ave., New York City
Mr. M. N. Red	No. 16767 Eighty-fourth Ave., New York City
Mr. O. P. Green	No. 16969 Eighty-fifth Ave., New York City
Mr. Q. R. Blue	No. 17171 Eighty-sixth Ave., New York City
Mr. S. T. Yellow	No. 17373 Eighty-seventh Ave., New York City
Mr. U. V. Purple	No. 17575 Eighty-eighth Ave., New York City
Mr. W. X. Pink	No. 17777 Eighty-ninth Ave., New York City
Mr. Y. Z. Orange	No. 17979 Ninetieth Ave., New York City
Mr. A. B. Red	No. 18181 Ninety-first Ave., New York City
Mr. C. D. Green	No. 18383 Ninety-second Ave., New York City
Mr. E. F. Blue	No. 18585 Ninety-third Ave., New York City
Mr. G. H. Yellow	No. 18787 Ninety-fourth Ave., New York City
Mr. I. J. Purple	No. 18989 Ninety-fifth Ave., New York City
Mr. K. L. Pink	No. 19191 Ninety-sixth Ave., New York City
Mr. M. N. Orange	No. 19393 Ninety-seventh Ave., New York City
Mr. O. P. Red	No. 19595 Ninety-eighth Ave., New York City
Mr. Q. R. Green	No. 19797 Ninety-ninth Ave., New York City
Mr. S. T. Blue	No. 19999 One Hundred Ave., New York City

mentioned are higher than in western Canada. The exhibit also shows, if you will take one comparison from York to Duluth, 420 miles, where on page 93 of the Appendix to Part I the rate is shown as 35 cents; now, the rate for 420 miles in Exhibit 177, from Montana to North Dakota, is $58\frac{1}{2}$ cents, and from North Dakota to Minnesota is 43 cents.

I have another exhibit to file, which was asked for or suggested by the Chairman at pages 15248 and 15249, and also by Mr. Commissioner Innis at page 15251, with respect to the export of wheat from Canada in comparison with exports from the United States. This will be Exhibit 178.

EXHIBIT NO. 178 -- Wheat crop and exports of
wheat and wheat flour,
Canada and United States,
Crop year 1947-1948.

THE WITNESS: This exhibit shows the wheat crop and exports of wheat and wheat flour from Canada and the United States during the crop year 1947-1948. In the prairie provinces the wheat crop was 319,000,000 bushels, the total wheat export in the form of wheat was 133,505,264 bushels, or 41.8 per cent of the crop. The total wheat flour exported expressed in bushels of wheat was 61,477,079 bushels or 19.3 per cent of the crop. The total wheat and wheat flour exported from Canada was 194,982,344, or 61.1 per cent of the wheat crop.

Now, in the United States the wheat crop was 1,367,186,000, the total wheat export in the form of wheat was 305,000,000 bushels, or 22.3 per cent of the crop. The total wheat flour export, expressed in terms of bushels of wheat, was 175,000,000, or 12.8 per cent of the crop. And the total wheat and wheat flour exported was 480,000,000 bushels, or 35.1 per cent of the crop.

This . . . can be used in many ways:

1. The Commission has received information from the Government of the United Kingdom that the Government of the United Kingdom has decided to withdraw its troops from the Falkland Islands.

1871 1872

... 1980-1981 ...

It is interesting to note that the wheat export from the United States was nearly as great as the total crop in the prairie provinces, but expressed in wheat and wheat flour exports it exceeded by quite a substantial amount the wheat crop of western Canada.

MR. MacPHERSON: My lord, I wish to file an exhibit which, curiously enough, will more or less complement the last exhibit which was filed by Mr. Jefferson, and ask that it be given exhibit No. 179. It is in respect of wheat production and wheat and flour exports U.S.A. and Canada, back to 1925.

THE CHAIRMAN: What years?

MR. MacPHERSON: 1925 to 1947.

EXHIBIT NO. 179 -- Wheat production and wheat
and wheat flour export,
U. S. and Canada.

CROSS EXAMINATION BY MR. MacPHERSON - Resumed

MR. MacPHERSON: My lord, before proceeding may I say that I wish to correct an error I made in Mr. Jefferson's cross-examination yesterday. I had suggested to him with some definiteness that the production in Montana was twenty to thirty million bushels a year. Production fluctuates greatly in Montana; it is a large state of the Union and, as I say, fluctuates greatly in the matter of production. I have checked back and find that production has been, in a good year, as high as 80,000,000 bushels, and as low as 14.5 in 1931. I want to make that correction, because, as I say, I had with some definiteness suggested to Mr. Jefferson that it was twenty to thirty million bushels.

You remember that, Mr. Jefferson?

THE WITNESS: Yes, sir.

COMMISSIONER INNIS: What about the American prices?

MR. MacPHERSON: I haven't got the American prices.

I will take the exhibit up with Mr. Jefferson, but I was only able to put down with certainty farm prices for Canada.

MR. EVANS: That is using the 1927 index?

MR. MacPHERSON: That is the dollar.

THE CHAIRMAN: In certain cases, like 1942 and 1943 you have a low ratio; in 1942, it is 38.6, and the next year you show 120.8. That is taking the two crops together?

MR. MacPHERSON: Yes, my lord.

THE CHAIRMAN: That is the carryover.

MR. MacPHERSON: That means that in that year they exported 120 per cent of what they had produced that year, but naturally there was a carryover that had to make it up.

THE CHAIRMAN: Those were war years.

MR. MacPHERSON: As the Board is well aware, during the war years there were storage facilities -- that is special storage facilities -- for instance provided at the head of the lakes for, I think, ninety million bushels.

Q. Is that not so, Mr. Jefferson, that special storage buildings were erected and later destroyed?

A. Well, the normal storage capacity at Fort William is around eighty-five or ninety million, but when they had these surplus bins the storage capacity was greater.

Q. Now, this Exhibit 179, a copy of which you have before you, Mr. Jefferson, in column 1 to the left is shown the year?

A. Yes.

Q. The next three columns deal with American production.

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Mr. Chairman, the sources of information I had gave me only every other year rather than every year. There is nothing ulterior in my choosing to put every other year; those were the years for which I had available information.

Q. The second column after the year would indicate the production in each year in the United States in million bushels. The next column (b) shows export, and I wish to differentiate this from Exhibit 178 as filed. Column (b) deals with exports and covers not only wheat, but wheat as flour; it includes both. The same is true with the Canadian, when we come to that.

The fourth column gives the percentage of the crop exported in any year in the United States. Then under Canada, the first column gives the production; the second column gives the export, both as to wheat and wheat as flour; they are combined. The third gives the percentage; and the fourth is an extra column I have put in, being the average farm prices as taken from the dominion Bureau of Statistics.

As the Chairman has remarked, there are two cases in Canada, in 1943 and 1945, where more than 100 per cent has been exported. That of course means that the slack has been taken up from the carryover.

A. Well, Mr. MacPherson, may I ask if the production in Canada is for the beginning of the year?

THE CHAIRMAN: What is your question, Mr. Jefferson?

THE WITNESS: I was asking Mr. MacPherson if the production in Canada was the beginning of the year 1947.

MR. MacPHERSON: Q. The crop year in Canada is from the 1st of August to the 31st of July. Here in 1925 it would be from the 1st of August, 1925, until the

31st of July of the succeeding year.

A. Yes, but I was going to say the figure for 1947 of 341.8 million does not agree with the figure that I have in Exhibit 178 of 319,000,000.

Q. Yes, but I think, Mr. Jefferson, you are just taking the wheat from the prairie provinces. This is the wheat from all of Canada; it takes in Ontario and Quebec, and what wheat is produced in the maritimes and in British Columbia.

A. I see.

Q. You are quoting from your page 103; I am really giving you the benefit of the doubt, because I do not think there is much Ontario wheat exported, and certainly no maritime wheat?

A. That is correct.

Q. But on page 103 there is shown the grain produced: the wheat production for Manitoba, Saskatchewan and Alberta?

A. That is right.

Q. And that comes to 319 million?

A. Yes, sir.

Q. And the reason for the figure 341, as shown, is that it takes in all the grain for Canada, and the measure of that would not be exported at all. That is clear now, Mr. Jefferson?

A. Yes, sir.

Q. Now, Mr. Jefferson, a perusal of these figures on that exhibit will indicate in what measure the export of wheat from Canada is ^a most serious matter to Canada?

A. The percentage of export?

Q. The percentage of our crop that has to go out of the country?

A. It is very important to Canada.

Q. More important to Canada than to the United States, percentage-wise?

A. Percentage-wise it is, yes, sir, but there is a lot of wheat exported from the United States.

Q. There is a lot of wheat exported, and the fact is that in the United States they have had bountiful crops in the last three years?

A. Yes, they have had large crops in the last three years.

Q. Larger crops than usual?

A. That is right, yes, sir.

Q. And at the moment your information is probably the same as mine, that the winter wheat conditions are good in the United States now?

A. I don't know; I haven't any information.

Q. You have no information?

A. No.

Q. But in any event, you will agree that during the last three years the United States have had very heavy crops?

A. They have had.

Q. Very good crops?

A. Yes, sir.

Q. And the figures in the second column which bring you only to 1947 will indicate that there was in 1947 1,364,000,000 bushels produced?

A. Yes, sir.

Q. I think you told us the other day that they have no export rates on grain in the United States?

A. No, sir, I did not say they didn't have any export rates.

Q. Well, have they, as we have here?

A. We were discussing rates in the United States from northern United States points to Seattle, and I said that my understanding was that the domestic rates and export rates from Montana, North Dakota to Seattle and Portland were the same; I have since confirmed that that is correct. Now in the movement of grain to Duluth from Montana, North Dakota and Minnesota the rates to Duluth on both domestic and export -- or furtherance, whatever you want to term them -- apply to all grain moved beyond Duluth whether to destinations in the United States or in a foreign country.

(Page 15633 follows)

Q. No - -

A. Just a moment, if you will. There are export rates on grain to Atlantic seaboard ports that are lower than the domestic rates. There are export rates on grain from the southwest to Gulf ports, and I could not say how the export rates to Gulf ports compare with the domestic rates.

Q. Now, you have mentioned Gulf ports?

A. Yes.

THE CHAIRMAN: Before you go into that, have we an exhibit anywhere showing the production and exportation from the three prairie provinces alone?

MR. MacPHERSON: I don't think it would be possible to get that, my lord. We have two sets of figures now as to production. The figures here in Exhibit 179 give the total production from all Canada. Then on page 103 of the Appendix to Part I you have the production in the three prairie provinces. Now, I would argue that so far as export is concerned, in order to determine the percentage, that properly it should perhaps be compared with production in Western Canada, but at the same time I don't think it is possible from any figures available to show that.

MR. EVANS: Mr. MacPherson, I think perhaps there is one way that could be answered. If you look at Exhibit 178 you will see that the total wheat and wheat flour exportation in that exhibit is just under 195 million bushels. Well

then, if you look at Mr. MacPherson's Exhibit 179, you will find that almost exactly the same total export is given. Now, the difference is in the export volume being so small, and one might assume that the export from the prairie provinces is substantially all the total export, because the production figures differ on the two exhibits by fairly substantial amounts. I think it could be inferred from that, I suggest, that it is practically all.

MR. MacPHERSON: I quite agree with what Mr. Evans has said, and actually there is this difference between his Exhibit 178 and my 179, that his 178 is based entirely on production in the prairie provinces, whereas I have given the D.B.S. figures and have taken the total for Canada. For instance, in 1947, the production in Canada according to his figure was 319, the total wheat crop was 319.

THE CHAIRMAN: That is in the prairie provinces?

MR. MacPHERSON: The prairie provinces, and in the whole of Canada it was 341, so there are ^{million} 22 bushels there that were the production in the rest of Canada. I agree there is little of that exported. The same would run clean back in that column, the first column of production for Canada.

THE CHAIRMAN: I want to make sure of one thing, Mr. Evans. In your Exhibit 178 you have a ^{million} total wheat crop for the year, of 319 bushels. That is in the prairie provinces?

MR. EVANS: Yes.

THE CHAIRMAN: Then you have the total wheat exported, 135 million. Does that mean from the prairie provinces alone? I fancy not.

MR. EVANS: Is that exported from Canada?

A. That would be exported from Canada.

THE CHAIRMAN: That is the point, you see. I was wondering (Mr. MacPherson says it is not obtainable) whether we could have been told the total volume of exportation from the three prairie provinces outside of Canada, but you cannot get that?

MR. MacPHERSON: No, my lord.

THE CHAIRMAN: The only figures of exportation you have indicate the export of wheat from the whole of Canada?

MR. MacPHERSON: That is right.

THE CHAIRMAN: Although undoubtedly the prairie provinces furnish by far the main - -

MR. MacPHERSON: As a matter of fact, when I prepared this Exhibit 179, I first put in that column all production figures taken from the Appendix to Part I as used now by the Canadian Pacific Railway, but then I realized that we were taking the export from the whole of Canada, and that to compare like with like from the D.B.S., I should take the figures as to total production in Canada and make the explanation. But I think the position stands out more clearly now by virtue of Exhibit 178 having been filed.

THE CHAIRMAN: Yes.

MR. MacPHERSON: By Mr. Jefferson.

Q. Now, we were talking af export rates, Mr. Jefferson (I think you concluded that) and in Canada there has been a special rate in respect of grain which is known as the export rate, for many years.

A. From where?

Q. To Fort William and latterly to Pacific coast ports as well.

A. Well, as I have said in my evidence, the rates on grain to Vancouver are export rates because they are lower than the domestic rates; but the rates to Fort William, both export and domestic rates, they apply whether the grain or the flour goes to points in Eastern Canada or Eastern United States or foreign countries so far as the haul to Fort William is concerned.

Q. Do you know, Mr. Jefferson, what devices are adopted or have been adopted by the American Government to increase the exports of wheat?

A. No, sir.

Q. Do you know whether or not there is any special device to encourage export being adopted at the present time in the United States?

A. No, sir, not insofar as freight rates are concerned.

Q. I am not talking of freight rates. I am talking about any device at all. You have in your Exhibit 178 commented on the amount of American wheat that was exported in 1947 - 48, and have compared that with the amount of wheat exported from Canada?

A. Yes, sir.

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Q. And likewise with wheat flour. Now, I am asking you whether you know of anything, any encouragement by way of export subsidy offered by the government of the United States to encourage wheat being exported from the country?

THE CHAIRMAN: Do you mean to encourage production to begin with?

MR. MacPHERSON: Not intended to encourage production, but it is intended to take care of the carry-over.

THE CHAIRMAN: How would you encourage exportation, would you explain? I don't quite understand that.

MR. MacPHERSON: My lord, I understand that at the moment in the United States they are subsidizing exports to the extent of 50¢ a bushel.

THE CHAIRMAN: Yes, to feed Europe.

MR. MacPHERSON: To feed Europe, and perhaps to feed India or perhaps the Orient. So this 50¢ a bushel from the Treasury of the United States is taking care of up to, I think, a total of 168 million bushels. I think that is the provision. You know nothing of that, Mr. Jefferson?

A. No.

Q. Now, Mr. Jefferson, dealing with the Gulf ports, you referred to them. You have nothing in your Appendix to Part I indicating any rates to the Gulf ports at all.

A. No, sir.

Q. And the only reference you have to the Pacific coast in the matter of rates, is, I think,

at pages 97 - 98 of your Appendix to Part I, where you give distances from Kalispell, Helena, Shelby and Joplin to Seattle?

A. From Montana shipping points.

THE CHAIRMAN: That is, Pacific points?

MR. MacPHERSON: Pacific points, yes.

THE CHAIRMAN: I thought you were going to talk about Gulf ports?

MR. MacPHERSON: I am coming to this first. He says he has no exhibit whatever on Gulf ports. I am suggesting the only one he has in regard to Pacific ports is this one that I have shown him.

A. That is right.

Q. Actually you have Helena shown as one of the points. That is in the mining area of Montana, is it not?

A. Yes, sir.

Q. And Kalispell, is that a farming community at all?

A. I don't know, but Mr. MacPherson, you have to bear in mind that the examples shown in our exhibits to the Appendix to Part I include rates , first, to Duluth and second, to Seattle, and the rates are for distances comparable with distances in Canada. Now, the actual point shown may not be an actual shipping point, but there are shipping points in Montana, North Dakota and Minnesota. Now, the Great Northern railroad in 1948 loaded 101,754 carloads of grain. Now, they originated somewhere in those states. I cannot tell you where they originated, at this station or that station, I

don't know, but they originated in those states, and the number of cars of grain shipped from points on the Great Northern Railway in 1948 of 101,754 cars can be compared with the number of cars of grain loaded by the Canadian Pacific Railway western lines in 1948 of 139,221 cars. Certainly there is a substantial movement of grain.

Q. I am repeating to you that the western part of Montana is the mountainous part of the state, and the mining part of the state, and there would be no movement of wheat from these points to the Pacific coast.

A. I would not say that was true of every point in every part of Montana.

Q. You would not say it was true?

A. No, sir.

Q. Washington is a wheat producing state too?

A. Yes, soft wheat.

Q. Soft wheat?

A. Yes, sir.

Q. And on the question of soft wheat, is it not a fact that most of the wheat that is exported by the United States is their soft wheat?

THE CHAIRMAN: Most of what?

MR. MacPHERSON: The wheat that they export is their soft wheat, my lord.

THE WITNESS: I could not tell you what part of the United States exports are soft wheat or hard wheat, but to me that does not make any difference, because the freight rates are just the same no matter what kind of wheat it is, or the grade of wheat.

Q. To me it makes some difference, for this reason, Mr. Jefferson, that you say that Washington produces a soft wheat and Washington is the state in which Seattle is located, and the haul would be a short haul there.

A. That may be.

Q. And Oregon also produces wheat?

A. I don't know to what extent, but no doubt it produces some.

Q. And Idaho produces wheat?

A. Yes, sir.

Q. I suggest on the average that Washington produces more wheat than Montana?

A. I don't know, but I would doubt it.

Q. You would doubt it?

A. Yes, sir.

Q. And I suggest to you that Idaho produces a substantial quantity of wheat as well.

A. Idaho is a farming community, yes, sir.

Q. And it is soft wheat that is largely produced in southern Idaho?

A. I think that is right.

Q. You don't know then, of your own knowledge, whether or not the hard wheat produced in the United States is kept for domestic consumption in the United States and the soft wheat is exported?

A. No, sir, I don't know. I don't think that when the United States exports a lot of wheat and a lot of flour, I cannot believe it is all from soft wheat.

Q. There is wheat exported from the Gulf ports?

A. Yes, sir.

Q. And again that wheat would be within short haul distance compared with the long hauls from Western Canada to the seaboard?

A. Well, it would originate as far north as Kansas, maybe Ohio. I don't suppose they would move from Montana or North Dakota to the Gulf ports.

Q. I wouldn't either. Having regard to the fact that Texas is a big wheat producing state and that the Gulf ports are largely in Texas.

A. I don't know - -

Q. Well, is there any movement of wheat from New Orleans, for instance?

A. I think so.

Q. You think there is?

A. Yes.

Q. Would you say there was a movement down the Mississippi of wheat?

A. Down the river?

Q. Yes.

A. I don't know. I have no knowledge of movement by water.

Q. But in any event I put this further to you, that the wheat produced in Texas and in Oklahoma and largely in Kansas is winter wheat?

A. Winter wheat?

Q. Yes.

A. That would be a hard wheat.

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Q. Is it a wheat that compares with the all-spring wheat of North Dakota, for instance?

A. I don't know. I would not want to get into any discussion as to the kinds of wheat produced in different states in the United States.

Q. Well, we will just leave that there, Mr. Jefferson. Now, Mr. Jefferson during the past few days from time to time you have given evidence on the principle of the agreed charge?

A. Yes sir.

Q. And the agreed charge, as I understand it, is a special rate that you provide in the movement of a commodity where you get a guarantee and an assurance of moving all the traffic?

A. All or a portion of the traffic as agreed to in the agreement.

Q. All or a portion -- and when you say "a portion" you mean a very substantial portion?

A. That is right.

Q. Now, just to indicate what I mean in that connection, we will take one product, petroleum products. You have an agreed charge out of Calgary, have you not, on petroleum products?

A. Yes sir.

Q. And I put it to you that on April 1st, 1948, before the 21 per cent increase, that your rate was 9 cents per 100 pounds for a distance of fifty miles. You might check that. I think that is right. I am going to break this down. From Calgary, my lord, the agreed charge is 9 cents for a distance of fifty miles on 100 pounds of gasoline or it was on April 1st, 1948.

A. Yes, that is right.

Q. Then, on April 8th, 1948, that was increased to 11 cents?

A. Yes sir, that is right.

Q. And then on December 1st, 1949, it was increased to 12 cents?

A. That is right.

Q. In Ontario your agreed charge rate on April 1st, 1948, for 100 pounds for the same distance, fifty miles, was 8 cents?

A. That is right.

Q. And that was increased on April 8th, 1948, to 9½ cents?

A. That is right.

Q. And there has been no increase since?

A. That is right.

Q. In Quebec on April 1st, 1948, your agreed charge was 10 cents?

A. Yes sir.

Q. For the same distance. On April 8th, 1948, that was increased to 12 cents?

A. That would be right; I have not the tariff here but I know that to be a fact.

Q. That on November 10th, 1948, that was cut back to 10 cents?

A. That is right.

Q. And it remains at 10 cents?

A. That is right.

Q. Now, the City of Regina, for instance, fifty miles from Regina is the town of Indian Head?

A. Yes sir.

Q. And the cost of transporting 100 pounds of gasoline fifty miles from Regina on the 1st of April, 1948, was 20 cents?

A. On what date?

Q. The 1st of April, 1948?

A. That is right.

Q. And that was increased on the 8th of April, 1948, to 24 cents?

A. That would be right.

Q. And it was increased again on the 1st of December 1949, to 26 cents?

A. That would be right.

Q. And there is no agreed charge out of Regina?

A. No sir.

Q. Or out of Winnipeg?

A. No sir.

Q. Or out of Brandon?

A. No sir.

Q. Or out of Saskatoon?

A. No sir.

Q. And the net result, therefore, is that the effective rate payable on petroleum products today on 100 pounds for fifty miles out of Calgary is 12 cents?

A. For those who are signatories to the agreed charge; for those who are not signatories to the agreed charge the rate is just the same as out of Regina, Winnipeg, Brandon or Saskatoon.

Q. Well, I mean, Mr. Jefferson, the agreed charge rate out of Calgary, out of Ontario or out of Quebec is a charge that you would defend as being a just and reasonable charge?

A. Yes sir, to meet the competition and with the parties who are signatories to the agreed charge.

Q. Well now, I come back to this, that the charge out of Calgary under the agreed charge is 12 cents, out of Ontario $9\frac{1}{2}$ cents, out of Quebec 10 cents, and out of Regina 26 cents?

A. Yes sir.

1. The first thing I noticed when I stepped out of the plane was the cold air.

2. It was a relief, after the heat of the sun and the humidity of the airport.

3. I had heard that the weather was perfect, but I didn't realize how perfect it was.

4. The first thing I did was to go to the hotel and check in.

5. I had heard that the hotel was nice, but I didn't realize how nice it was.

6. The first thing I did was to go to the hotel and check in.

7. I had heard that the hotel was nice, but I didn't realize how nice it was.

8. I had heard that the hotel was nice, but I didn't realize how nice it was.

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27. I had heard that the hotel was nice, but I didn't realize how nice it was.

28. I had heard that the hotel was nice, but I didn't realize how nice it was.

29. I had heard that the hotel was nice, but I didn't realize how nice it was.

Q. That is right?

A. Yes sir.

Q. And the justification for the 12 cents and the 9½ cents and the 10 cents is the fact that you get either all or a substantial quantity of the traffic?

A. That is right. Are we through with the agreed charge?

Q. We are through with it as far as that is concerned.

A. I just want to say this, that the railways have always expressed their willingness to make an agreed charge out of Regina, Winnipeg, Brandon or Saskatoon with anyone who wanted to make an agreed charge with us to meet the competition with which we have to contend, but we cannot make an agreed charge if no one will make one with us.

THE CHAIRMAN: Meet what?

A. Meet the competition with which we have to contend; that is, the truck competition.

MR. MacPHERSON: But, Mr. Jefferson, in Regina, and you have mentioned Regina, there are two distributors there and two only?

A. Yes sir.

Q. And there are 100,000 farmers in the province who indulge in mechanized farming and use a great deal of petroleum products?

A. That may be.

Q. It is so, is it not?

A. It may be; I don't know the number.

Q. And so far as these 100,000 farmers are concerned, they have nothing to say as to whether there is an agreed charge or not? It is a question of what you do with the two distributors who are there and the agreement you arrive at?

A. It would be pretty difficult to make an agreement with 100,000 farmers.

Q. But I am getting at the factual situation so far as the consumer is concerned. It all depends on what, if any, arrangement you make or have with the distributors?

A. The agreement we would make with the distributors. The two distributors out of Regina no doubt truck a certain amount of their petroleum products and what they do not truck they ship by railroad at the railroad rates.

Q. Now, Mr. Jefferson, your Exhibit 159 shows the production --

A. That is back to grain?

Q. Yes, I am trying to tie these two up together. Exhibit 159 shows the grain crop in the Prairie Provinces and shows the increase in wheat, oats, barley, rye and flaxseed from 1898 down to 1948?

A. Yes sir.

Q. Now, in 1948 there was 363 million bushels of wheat produced in the Prairie Provinces?

A. Yes sir.

Q. And there was 224 million bushels of oats?

A. Yes sir.

Q. 142 million bushels of barley?

A. Yes sir.

Q. 22 million bushels of rye?

A. Yes sir.

Q. 16 million bushels of flaxseed?

A. Yes sir.

Q. Or a total in 1948 of over 700 million bushels?

A. That is right.

Q. In so far as the movement of that crop is concerned in distance, certainly for export, there is only

one means of transportation to get it out of the country?

A. That is right.

Q. Rail?

A. Yes sir.

Q. You cannot fly it out; you cannot truck it out of the country, and there is no water to get it out of the country; you cannot get it out by pipeline; it goes out by rail?

A. The export would all go out by rail.

Q. So that the railways have a complete monopoly in respect of grain that is sent out of the three provinces?

A. That is right.

Q. And you have a complete monopoly. In respect of petroleum products, you give an agreed charge which will cut your ordinary rate from 26 cents, for instance, at Regina, to $9\frac{1}{2}$ cents in Ontario for the same distance, for the same weight, and it is only because you get there a substantial part and not all?

A. Yes sir.

Q. And I am suggesting that when you have a monopoly on all the product, that there is every reasonable reason for a very special rate in respect of it?

A. I think there is

MR. EVANS: Who says that there is a monopoly?

MR. MacPHERSON: I say there is a monopoly and he says himself there is.

MR. EVANS: There is no evidence here of a monopoly on petroleum products.

MR. MacPHERSON: I am talking of the handling of grain.

THE CHAIRMAN: I do not understand what you are saying.

MR. EVANS: My difficulty is, Mr. MacPherson goes from grain to petroleum products and I suggest that without knowingly doing so he is trying to confuse the witness as to whether he is talking of a monopoly on grain or a monopoly on petroleum products.

THE CHAIRMAN: Why should that confuse Mr. Jefferson?

MR. EVANS: Because he is putting to him something about a monopoly, but he is talking in the one breath on grain and in another breath on petroleum products, and it seems to me the record is going to be messed up.

THE CHAIRMAN: Well, that is all made clear by the transcript, of course. Do you feel confused, Mr. Jefferson, at all?

THE WITNESS: I was interpreting what Mr. MacPherson was saying, whether right or wrong, that when he spoke of a monopoly on petroleum products, he meant a monopoly on petroleum products only in so far as the agreed charges were concerned, but there is no monopoly on petroleum products except where the movement is covered by the agreed charge.

(Page 15651 follows)

THE CHAIRMAN: Q. You mean there is no monopoly in the transportation of those products?

A. That is right.

MR. MacPHERSON: My lord, my point is that so far as Mr. Jefferson is concerned he is prepared to defend the principle of the agreed charge.

THE CHAIRMAN: That is in general?

MR. MacPHERSON: In general, yes, my lord. And applying that principle we find that even when they haven't a monopoly in respect of the hauling of petroleum products we find a spread of between 26 cents and $9\frac{1}{2}$ cents. I am suggesting that in respect to grain they have an absolute and complete monopoly in so far as export is concerned.

THE CHAIRMAN: Does that mean in the first case because of competition which they find there, and secondly, because there is no competition?

MR. MacPHERSON: I think so, my lord; that is quite correct.

THE CHAIRMAN: That is what you show.

MR. MacPHERSON: That is quite right. In the one case, so far as petroleum products are concerned, there is this price of $9\frac{1}{2}$ cents, as Mr. Jefferson says, because of competition, and Mr. Evans echoes it -- he agreed it is because of competition. There is no competition in connection with wheat, but if the principle is right, and the price being low because of monopoly, then it is simply a case of agreement as represented by the Crows Nest agreement and as confirmed by parliament.

THE CHAIRMAN: Can you say the price is low because of a monopoly? The tendency of a monopoly is the other way.

MR. MacPHERSON: The tendency is, but the fact is that the parliament of Canada and the railway entered into an agreement back in 1898, at a time when there was production of only five million bushels in the northwest territory. They entered into that agreement which was akin to the agreed charge which we are talking about in petroleum products; and, my point is that in so far as grain is concerned, while there is no competition in the matter of transportation out of the country, that parliament has decreed that the same principle would apply as applies in respect of petroleum products where there is competition.

THE WITNESS: But, Mr. MacPherson, are you suggesting that we should have -- ?

THE CHAIRMAN: Does not the shipper enter into the agreements, agreeing to ship the whole or a part of his product?

MR. MacPHERSON: That is right.

THE CHAIRMAN: That is the consideration?

MR. MacPHERSON: That is right.

THE CHAIRMAN: How can you put the government of Canada in that position in this case?

MR. MacPHERSON: Except in this way, my lord --

THE CHAIRMAN: There was nobody else that they could ship through.

MR. MacPHERSON: I know there wasn't, but the fact is that they had a monopoly of everything, and that they had the long haul.

Q. There was a long haul on this grain, was there not, Mr. Jefferson?

A. We have a long haul to Fort William, if that is what you mean.

Q. And also to Vancouver?

A. Yes, that is right.

Q. There has been the principle of the agreed charge --

THE CHAIRMAN: Of course there was agreement for valuable consideration given by the government on the one hand; the agreement was to inure to the benefit of the producer or shipper of wheat. Personally, I fail to see the analogy between that agreement and the agreement which is made with the shipper of a product who might ship it by other means, and a reduced rate is obtained because he agrees to ship all by rail.

MR. MacPHERSON: Except, my lord, so far as the person who pays the freight is concerned. In Saskatchewan, for instance, on petroleum products we pay 26 cents for the movement of 100 pounds fifty miles, because there is no agreement; in Ontario it is 9½ cents, or just about a third, which is paid for the same service, and is satisfactory to the railway.

THE CHAIRMAN: But you see there are other means whereby the products might be shipped, both in Saskatchewan and in Ontario.

MR. MacPHERSON: I know there are.

THE CHAIRMAN: The railway has to compete with other transportation.

MR. MacPHERSON: I know. But in one case they entered into these agreements because there was competition; in the other case, they entered into agreements for good consideration, and later in the amendments of 1925 to the Railway Act, which they now seek to have deleted, parliament has told them that the same principle must apply. That is my point.

THE CHAIRMAN: It is a separate and distinct thing,

that the agreement that one carrier makes with a shipper in order to get a large part of his business, which another carrier might get. . . .

MR. MacPHERSON: I will argue the analogy in due course, my lord. I am simply pointing out now that the same principle is involved. In 1947 there was an agreement which was for good consideration at that time; it was based on the same principle, on the basis of monopoly that you have in the agreed charge.

THE CHAIRMAN: I suppose you would say time has a great deal to do with them, and these agreed charges provided for under the Act are limited in time.

MR. MacPHERSON: That is right.

THE WITNESS: Yes, I was going to say they could be changed from time to time.

THE CHAIRMAN: Whereas, the agreement made in 1897 was forever.

MR. MacPHERSON: That is correct, in perpetuity.

MR. EVANS: Before my friend goes on with his cross-examination -- I do not like interrupting cross-examination -- I would point out that these questions are all put to Mr. Jefferson on the basis that these agreed charges are real monopoly rates. There have been no such suggestions, because the very fact that there is competition indicates that they are not monopoly rates.

THE CHAIRMAN: That is a matter of argument.

MR. EVANS: I do not wish to have the record confused when the cross-examination goes on.

Another point, Mr. MacPherson says that the farmers around Regina pay 26 cents. There is no evidence on the record to show that the farmers around Regina pay 26 cents.

MR. MacPHERSON: When my friend says there isn't anything on the record, he is forgetting that there was evidence given on the hearings throughout the country, and he is also forgetting the exhibits that are filed and the evidence filed by the provinces, all of which will be argued in due course. My friend is coming back again as to who pays the freight.

MR. EVANS: No, I am not talking about that at all.

THE CHAIRMAN: Since the rates are 26 cents, as you put it, when any of those products are shipped the shipper pays 26 cents. What is the extent of that on the price to the farmer?

THE WITNESS: If shipped by rail.

THE CHAIRMAN: I am talking about rail. I do not know the answer yet, but you can probably tell us later.

MR. MacPHERSON: I shall.

MR. EVANS: My point is that the farmers around Regina are probably getting it by truck.

THE CHAIRMAN: That may be so; you can show us that later. Are there or are there not any agreed charges entered into between the railway and any shipper in Regina?

MR. MacPHERSON: No, my lord; none on petroleum products.

Q. Is that right, Mr. Jefferson?

A. No, simply because we haven't been able to get an agreement.

Q. And the only one you would make an agreement with would be a distributor?

A. Yes, sir.

Q. And there are two in Regina?

A. Yes, and one in Moose Jaw.

Q. And you have had the same difficulty in Moose Jaw?

A. Yes, sir.

THE CHAIRMAN: Q. Could you go on to tell us now whether you are getting the business in Regina and Moose Jaw?

A. We are getting some business out of Regina and Moose Jaw; only the business which the oil companies wish to ship by rail. The rest of it moves by tank truck owned by the oil producers.

Q. You do not know what percentage of the business you get?

A. No, sir, I do not.

MR. MacPHERSON: Q. Do you know what percentage of the trucks are owned by the oil producers?

A. What percentage?

Q. You say there are trucks owned by the oil producers?

A. Yes, sir.

Q. That is, for instance, in Regina, the Imperial Oil?

A. Yes, sir.

Q. Do you know whether the Imperial Oil owns trucks in Regina?

A. I don't know whether the Imperial Oil uses their own trucks out of Regina, or whether they contract with some trucker to move their products in tank trucks.

Q. And do you know whether out of Moose Jaw the B.A. Oil have any trucks of their own?

A. No, sir.

Q. In giving us the history the other day of the Crows Nest Pass, you told us ^{how} that in 1922 the rates which had been suspended on grain were restored?

A. Yes, sir.

of the study. The purpose of this study is to investigate the relationship between the variables mentioned above. The study is organized as follows: first, the methodology is described, followed by the results and a conclusion.

The methodology used in this study is a quantitative approach. Data was collected through a series of experiments and analyzed using statistical methods. The results of the study are presented in the following section.

The results of the study show a significant positive correlation between the variables. This finding is consistent with previous research in the field. The study also identifies some limitations and suggests areas for future research.

In conclusion, the study has provided valuable insights into the relationship between the variables. The findings have implications for both theory and practice. Further research is needed to explore the underlying mechanisms and to test the generalizability of the results.

The study was conducted under the supervision of the principal investigator. The data was collected and analyzed by the research team. The results are presented in the following section.

The study was funded by the National Science Foundation. The principal investigator is grateful to the funding agency for its support. The study was conducted in accordance with the ethical standards of the research community.

The study was published in the Journal of Applied Psychology. The principal investigator is the corresponding author. The study was presented at the annual meeting of the American Psychological Association.

The study was conducted in a laboratory setting. The participants were recruited from a local university. The study was approved by the Institutional Review Board. The results are presented in the following section.

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Q. I suggest to you that if you take the annual report for 1922, at paragraph 3, you will find this reference to it: I am now quoting from paragraph 3 of the Annual Report of 1922, as follows:

"Beginning with October and in consequence of the very bountiful crops in Canada, both East and West, and notwithstanding the drastic reduction in rates on grain to Fort William under what is known as the 'Crows Nest Agreement', the revenues improved to such an extent that a decrease in gross earnings on September 30th of \$11,560,856 was reduced during the last three months by \$5,214,000. The working expenses were, by economical administration, reduced by \$8,446,769 during the year. In view of the conditions which prevailed during the first nine months of the year your Directors cannot but regard the results of the operations as satisfactory."

Now that was in 1922, when the rates were restored?

A. Speaking of gross revenue, I suppose?

Q. Gross revenue.

A. Yes, sir.

Q. But so far as the development in the prairies was concerned, and the branch lines, did the restoration of the rates interfere with your expansion program on branch lines in the prairies?

A. I wouldn't say so, no, sir.

Q. In 1923, the following year, in your annual report I find that you asked for authority to construct:

Leader Southerly Branch	25 miles
Lomond Extension	10 miles
Archive-Wymark to Codesa	12 miles

From Consul Easterly	37 miles
Amulet-Dunkirk	25 miles
Tuffnell-Prince Albert	79 miles

They are all in the province of Saskatchewan?

A. That is right. During the 20's there were quite a few expansions or rail extensions in the prairie provinces, more particularly Saskatchewan. There are people in Saskatchewan to-day who think we should build some more lines.

Q. I know that, and probably you will some time build more lines in Saskatchewan?

A. Maybe, but we will have to find some money to do it with.

Q. But in 1922 there was this disaster which was going to happen if the rates were restored; they were restored, and in 1923, these were the extensions you proceeded with, according to the annual report of 1923?

A. I have no doubt that the process was being proceeded with some time before the Crows Nest rates were restored.

Q. Actually, in that year, 1923, the annual report of the directors asked for authority to construct these lines. Then in 1924 there was an additional request for authority to construct in respect of:

Cutknife-Whitford Lake	55 miles
Amulet-Dunkirk	20 miles.

A. You read that one before.

Q. That is from Mileage 25 to Mileage 45?

A. Yes, sir.

Q. And the extension:

Pashley to Leader Line Junction	33 miles
Pivot-Fox Valley	25 miles

Fife Lake Branch 43 miles

Rosedale-Bull Pound Creek 39 miles

A. Rosedale is in Alberta.

Q. That is in Alberta?

A. Yes, sir.

Q. But the other points are all in the province of Saskatchewan. Then we come to 1925. That was the year that the amendments that you now seek to have deleted were passed by parliament; and notwithstanding the fact that they were passed in 1925 you asked for an additional request, for authority to construct:

Cutknife-Whitford Lake 20 miles

Bromhead to Tribune 20 miles

Cardston to Glenwoodville 29 miles.

And in 1927 --

MR. EVANS: This is cross-examination, Mr. MacPherson.

MR. MacPHERSON: Q. Do you disagree with what I have asked you in those years?

A. I am not disagreeing with it, if you take it from the annual reports, but I am not certifying that they are correct.

MR. MacPHERSON: If my friend wants to have them . . .

MR. EVANS: I was asking my friend whether he was on cross-examination or argument.

THE CHAIRMAN: You are reminding Mr. Jefferson that these things occurred, but what does that lead to in the form of a question?

MR. MacPHERSON: My lord, it leads to this that during the period in 1922 . . . they are asking this Board now to recommend that there be deleted part of subsection 5 of section 325, and also subsection 6 of

section 325. I am only showing what was carried on by the railway after they were put in, in the matter of extensions in the provinces that were concerned.

THE CHAIRMAN: That is independent evidence which you are presenting out of the records.

MR. MacPHERSON: Out of the records.

THE CHAIRMAN: You are arguing now that/ the ^{notwithstanding} reimposition -- if I may call it such -- of these low rates the company went on to build new lines.

MR. MacPHERSON: That is right.

THE CHAIRMAN: But how do you make that a question to Mr. Jefferson? I think you had better get down to the question.

MR. MacPHERSON: I shall get down to it, but I wish to first put in this last one and then proceed to the question.

Q. In 1927, Mr. Jefferson, from the annual report there were these extensions for which authority to construct was requested:

Willingdon to Edmonton	70 miles.
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That is in Alberta.

Moose Jaw Southwesterly	37 miles
Aikins Northerly	20 miles
Hatton Northwesterly	15 miles
Pennant southwesterly	24 miles
Fife Lake Branch	20 miles
Arhive-Wymark ^c	12 miles
Univin Westerly	20 miles
Rosetown Northerly	24 miles
Gem Colony	3 miles
Woolford Southeasterly	13 miles
Crookshire to Melvina	22 miles
Lacombe to Breton	72 miles.

A. Yes; a lot of those stations are in Alberta.

Q. Some of those are in Alberta?

A. Yes.

Q. But most of them are in Saskatchewan.

THE CHAIRMAN: Q. Mr. Jefferson, is it true that most of them are in Saskatchewan?

A. I don't know in the last list he read, but I would say in the earlier list they were.

MR. MacPHERSON: Q. In the last list I read there is Moose Jaw, Aikins, Hatton, Pennant, Fife Lake, Archive, Rosetown, all in Saskatchewan?

A. Those are in Saskatchewan, yes, sir.

Q. Then in Alberta there is Willingdon, Unwin -- I think they are in Alberta?

A. I could not say positively.

Q. And Gem Colony, Woolford and Lacombe?

A. Yes.

Q. You were in western Canada during that time as freight traffic manager, were you not?

A. Yes, sir, assistant freight traffic manager.

(Page 15665 follows)

Q. And you were located in Winnipeg at this time?

A. That is right.

Q. And you have knowledge of the extensions that were being carried on in the matter of branch lines?

A. I knew they were being built, yes, sir.

Q. Does your memory lead you to verify any or all of those that I have given you that have been built, apart from the annual reports.

A. I have no doubt but what the list you have read as being from the annual report is correct.

Q. And that they were built?

A. Yes, sir.

Q. Now, Mr. Jefferson, you put in an Exhibit 167 dealing with price?

A. Yes, sir.

Q. You have that before you?

A. Yes, sir.

Q. Now, if you look at that exhibit, you will see that from 1898 to 1948 there are a great number of valleys as well as some peaks, is that not right?

A. That is right.

Q. You see, for instance, in the year 1936 - 37, the price went up to over a dollar and a quarter.

A. Over what?

Q. Over a dollar and a quarter.

A. Yes, we are speaking now of both Minneapolis and Fort William?

Q. Yes, I am speaking particularly of Fort William.

A. I see. You took the exhibit that has the prices at the two points superimposed, instead of the separate ones?

Q. They both go up as a matter of fact. Was there any particular reason why the price went up in 1936? Was it a short crop in Western Canada?

A. I don't know why the peaks and valleys are there.

Q. If you look at page 103, your own page in the Appendix, you will see in 1936, the crop was 202 million, I think?

A. That is right.

Q. Which was a short crop?

A. That is right.

Q. Then if you look in the next year, 1937, you will see it was shorter still, 156 million?

A. That is right.

Q. And you will see that in the Province of Saskatchewan, if you will still look at it, there were only 36 million bushels of wheat produced?

A. In 1937?

Q. In 1937.

A. Yes, sir, that was a drought year.

Q. That was a drought year?

A. Yes, sir.

Q. So that while the price went up, the farmers had little to sell?

A. That is true.

Q. So that in that respect that peak in 1936 - 37 does not mean very much by way of return to the farmer because he had little to sell?

A. That is right. He cannot sell what he has not - -

Q. What he has not got.

A. No, sir.

Q. And then once 1938 comes and there is a crop again, there is the dip down to less than 75¢?

A. In 1938 the price dropped both in Canada and the United States.

Q. Both in Canada and the United States?

A. Yes, sir.

Q. But we are talking particularly of Canada, because it is the people of Canada that we are dealing with.

A. Yes, sir.

Q. And the price dropped in Canada to a much greater extent than it dropped in the United States?

A. A little more, not an awful lot.

Q. Well, it dropped 25¢ a bushel more.

A. In 1938?

Q. Yes.

A. Well, in 1938 - -

Q. No, that is wrong, that would be 1939. There is a spread there of 25¢ a bushel, isn't there, - or it is 1938?

A. 1938. There is not much in 1939. There would be a spread of about 25¢.

Q. 25¢ a bushel?

A. Yes, sir.

Q. Now, if you look at the exhibit that we filed this morning, Mr. Jefferson, and take the average farm prices as they are given to the right

hand side, you will see, starting with 1930, that the average farm price was 49¢. In 1931, it was 38¢.

A. I don't know where you obtained those figures.

Q. Well, the exhibit that was just put in this morning.

A. Yes, sir, but I don't know the source of your figures.

Q. The source, the D.B.S.: 38¢, 35¢, 49¢, 61¢, 61¢. In 1937, as that statement shows, the price went up to \$1.02, but that again was a year when there was nothing to sell, or little to sell.

A. Is this average farm prices of wheat?

Q. Average farm prices of wheat.

A. Yes.

Q. Taken by D.B.S., and then it dropped to 59¢, 54¢, 57¢, 61¢, and 77¢.

A. I don't know how the D.B.S. got their figures on that, I don't know anything about it.

Q. You don't know how?

A. No, sir.

Q. If the D.B.S. figures are correct, assuming for the purpose of the examination that the figures are right - -

A. Take 1937, if you will, 1936 - 37.

Q. Yes.

A. The average price at Fort William shown on page 100 of our Appendix to Part I is \$1.23.

Q. Well, there is \$1.02, the D.B.S. put it at.

A. Yes, sir.

Q. So the D.B.S. must be satisfied that the farmer pays the freight, for instance.

A. But the freight rate is not the difference between those two figures.

Q. Well, we will try to find out just what the exact difference is later on. That is the figure the D.B.S. gives in any event.

A. Yes, sir.

Q. If there was an additional freight rate imposed for the carriage of grain on a yield of that kind, there would be practically nothing for the farmer, would there?

A. I don't know. - -

Q. Well, take in 1932 for instance - -

MR. EVANS: Let him answer, please, Mr. MacPherson.

THE WITNESS: I don't know, I don't want to get into the prices of wheat or the return to the farmer, because some other witness is going to handle the price question before this Commission. But I don't see that if we increase the freight rate on grain, that all that increase of freight rate or any part of it would come out of the farmer. It may or may not; it depends on world conditions.

MR. MACPHERSON: Q. Your view, is then, Mr. Jefferson, that if in 1932 the freight rate had been as you suggested, a reasonable rate now would be 40¢?

A. I did not suggest 40¢. You suggested 40¢.

Q. Well, and you agreed.

A. I said I did not think it was unreasonable, and you suggested 40¢ providing the 15% increase before the Board was approved.

Q. Well, I have your record here of yesterday. The record will speak for itself as to what you said. Your recommendation would be, as a just and reasonable rate, not less than 40¢?

A. I didn't say that at all, no, sir.

MR. EVANS: Perhaps you would like this record?

MR. MacPHERSON: Top of page 15620.

A. 15619 is where you - -

Q. Yes, but I am putting this one question.

A. Started your discussion.

Q. But at the top of page 15620:-

"Q. Would you say that 40¢ would be reasonable?

A. Yes, sir."

A. Read what was said before that.

Q. I beg your pardon.

A. Read what it says on 15619.

Q. Yes, I will read the whole thing if necessary, but I have come down to this point where I say "Would you say 40¢ would be reasonable. Yes, sir."

THE CHAIRMAN: "Yes, sir" is Mr. Jefferson's answer"

MR. MacPHERSON: By Mr. Jefferson, yes:-

"Q. 40¢ you say would be reasonable, which just means this: in so far as the farmer in that area is concerned, he would be paying exactly

twice what he is now paying?

"A. Yes, sir, but he is getting more than twice the price for his wheat than he had at the time the agreement was made. He is getting far more than that."

A. That is right.

Q. "We shall deal with that too before we are finished", but I notice that was your answer yesterday.

MR. EVANS: The witness has just said to Mr. MacPherson that it was
/Mr. MacPherson's suggestion of 40¢ and not his.

This record amply shows it came from Mr. MacPherson.

MR. MacPHERSON: Certainly, I suggested it, and he agreed.

MR. EVANS: Then, you raised the question - -

MR. MacPHERSON: I agreed after I had worked this up to 41, and then I asked him:-

"Q. Would you say that 40¢ would be reasonable?

A. Yes, sir."

THE WITNESS: I said that 40¢ would not be unreasonable and would be reasonable if the 15% increase that you spoke of was granted by the Board, and you were taking my page 104 and carrying it along one further step.

Q. Certainly I was.

A. Yes, sir.

Q. I was reminding you that I had heard you a couple of weeks ago asking for a further 15% increase before the Board of Transport Commissioners.

A. That is right, and you have taken my page 104 of the Appendix and followed it another step.

MR. EVANS: Can we have this record straight. There was no question of our being before the Board of Transport Commissioners and asking for^a further 15% increase. This is what took place. We were before the Board of Transport Commissioners asking for 20% over the rates prior to the 8% increase. We said that the formula would show we were entitled to more than that, but our application was for 20% over and above the rates prior to the 8%, not in addition to the 8%.

MR. MacPHERSON: Will you answer this question, Mr. Jefferson. Did you not file an exhibit in the final determination of the 20% Case in which you set forth an increase of 23%?

A. I filed an exhibit before the Board of Transport Commissioners showing what the yield would be on the basis of 1949 revenues if we had, or if we obtained, increases of 20% and I think, 23%, 24% and 25%. I think that is what it shows.

Q. Could anything be clearer than this? I will read these two questions and the answers you gave again:-

"Q. Would you say that 40¢ would be reasonable?

A. Yes, sir."

A. I would like you to start at page 15619.

Q. I am coming - I will take the answers.

A. I want you to read what preceded it.

Q. I have read all that.

A. All right.

Q. But I am reading these two questions and asking you if anything could be more definite than this:-

"Q. Would you say that 40¢ would be reasonable?

A. Yes, sir."

A. I told you in answer to your question that if we got a 15% increase in freight rates, and you carried my table to include the 15% - I said that 40¢ would not be unreasonable, and you asked me if it would be reasonable, and I said it would be reasonable.

Q. Now, in the next question there is no reference to the 15% at all.

A. But it is all following that.

Q. Yes, I know, but we will just take the next question and answer. You are an intelligent man, Mr. Jefferson:-

"Q. 40¢ you say would be reasonable, which just means this: insofar as the farmer in that area is concerned, he would be paying exactly twice what he is now paying.

A. Yes, sir, but he is getting more than twice the price for his wheat than he had at the time the agreement was made. He is getting far more than that."

A. But you have got to connect that question and answer up with what preceded it.

THE CHAIRMAN: Are you through with that?

MR. MacPHERSON: Through with that for the moment.

THE CHAIRMAN: Then we will take a few minutes.
- - - - SHORT RECESS

(Page 15675 follows)

Q. Mr. Jefferson, concluding your **references** to grain, you make certain definite recommendations. I thought I had the page of that -- page 188, at the bottom of the page:

"If, as a matter of national policy, the grain growing industry should at any time require to be subsidized, the subsidy should be paid directly to the industry by the Government of Canada out of general tax monies."

That is your submission?

A. Yes sir.

Q. From the standpoint of subsidy the Company rejects subsidy in any way to the Company itself for any purposes?

A. That is through the railway company?

Q. Yes.

A. Yes sir.

Q. But it is quite prepared that the industry should be subsidized?

A. If the government considers in the national policy it should be done?

Q. Well, it does not agree, the Company does not agree with the principle of subsidizing in so far as it is concerned itself?

A. I think we have said that in our Submission.

Q. That would be a wrong influence?

A. What would be?

Q. The payment of a subsidy in any sense to the Company itself?

A. A wrong inference?

Q. A wrong influence. It would not be the proper thing to do according to the concept of the Company?

A. To pay it to the railway, no sir.

Q. But it would be all right to pay it to the industry?

A. If they considered in their wisdom it should be done.

Q. Have you any recommendation as to how it should be done?

A. Only what we have said, that it should be paid to the industry and not paid to the railway.

Q. Well, there are 250,000 grain farmers approximately in the Prairie Provinces. Now, does your recommendation mean that there would be a payment individually to these farmers in some way? How is it to be done?

A. That is a matter of policy too but if a subsidy was paid to the farmer it could be paid to him on what he markets just as well as it could be paid to the railroad, if it is considered that a farmer who has wheat to market is the one who should have the subsidy.

Q. Well, do you think there is a distinction to be drawn between the farmer who has wheat to sell and the farmer who has not wheat to market? Is that what you mean?

A. I am just expressing my own personal view but it seems to me the one who needs help is the one who has no crop more than the one who has a crop.

Q. I am trying to find out what you mean by recommendation 4. Have you any recommendation in connection with it at all? What does it mean so far as Company policy is concerned?

A. What it means is that if any subsidy is given it should be paid to the producers. That is what it means.

Q. Should be paid to the producer?

A. Yes sir.

Q. Do I understand your last statement to mean that

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it should be paid to him when he does not have a crop?

A. Well, if the government thinks that that is the kind of a subsidy that should be given.

Q. But I am trying to get your recommendation to the government, the Company's. They have considered this situation. How would it be paid?

A. If you pay it to the farmer who has a crop it could be paid to him on the basis of the grain he markets.

Q. And you say that notwithstanding the fact that you do not believe in the principle of **subsidies** at all?

A. That is right.

Q. And you think that so far as the Company is concerned, it would be corrupting to pay it to the Company at all; it would be wrong. The Company reject that idea?

A. We rejected it in our Submission.

Q. It would be quite all right with you though if it were paid to the farmers?

A. We would have nothing to say about it.

Q. But you recommend it?

A. That is right.

Q. While you would not take it yourselves because you feel it is wrong in principle --

A. If you pay a subsidy to the Railway Company, it means a lot of work to the Railway Company to collect the subsidy and keep its books and so on.

Q. And that is your objection to it?

A. **That** is one of the objections, yes.

Q. That is the first time I have heard that objection raised, to taking a subsidy. Your objection and the Company's objection is to taking a subsidy --

MR. EVANS: The Company's objection is stated in its Brief. Mr. Jefferson has said it is his personal view.

MR. MacPHERSON: I am talking to Mr. Jefferson and Mr. Jefferson and I are getting along all right, and he has told me that the reason is that it would mean extra bookkeeping for the Company and extra trouble for the Company if a subsidy were paid to them. Is that right?

A. It would be, yes, but we say we should have our proper freight rates on grain and if any subsidy should be paid to the farmer it should be paid to him direct.

Q. Do you think that one should be paid?

A. I do not think that is for us to say.

Q. Have you given any consideration to that at all having regard to your experience with farming and grain farming particularly in **Western** Canada over the years?

A. That is a government policy; that is not my policy.

Q. Have you any recommendations? You are one of the large property owners in Canada, the Canadian Pacific Railway. Have you any recommendation to make in this connection?

A. With respect to the --

Q. Subsidies to the grain farmer?

A. No sir, I do not care to give any views on it.

Q. Well, you are speaking for the Company?

A. Yes sir.

Q. And I am asking whether the Company has any views on it that you know of, other than the ones you have expressed?

A. With respect to --

Q. The method or manner of subsidizing industry, as you have said?

A. Well, I have told you the way we consider it should be done if the government thinks a subsidy should be paid and it should be paid to the industry or the

producer.

Q. Well, which should it be paid to, the industry or the producer?

A. Well the industry and the producer in the sense that I am expressing it, are the same.

Q. Well, it gets down to the individual producer then, that there should be something paid to?

A. Yes sir.

Q. And would you have it paid so much a bushel that he raises or so much in respect of crop failure-- or how would you provide the means? What is your idea of subsidizing the industry?

A. That again is government policy.

Q. But you are suggesting it to the government?

MR. EVANS: We are not.

THE CHAIRMAN: Well, is the question one of subsidizing the shipper or the producer; I mean, the man in his capacity as a shipper or a producer?

MR. MacPHERSON: How would you subsidize him, as a shipper or as a producer?

A. I would say, if any subsidy was necessary, you would pay a subsidy as a producer.

Q. To him as a producer?

A. Yes sir.

Q. You would disregard completely his position as a shipper?

A. Well, he may be both, but in the handling of grain you market it through the country elevators. Now, you would not pay the country elevator operator a subsidy.

THE CHAIRMAN: Pardon me a moment, because I want to get this clear, because, if there is any question of a subsidy to the railways, it could only be on what they handle, that is on shipments. Then, the railways say:

"No, don't subsidize us; **subsidize** the farmer" and I assume they have him in mind as a shipper. Isn't that right, Mr. Evans, because if you go beyond that you get into a totally different question about what one should do in the case of a crop failure and so on, which has nothing to do with this question?

MR. EVANS: We make no recommendation whatever.

THE CHAIRMAN: Well, you did say this though, that if anybody is to be subsidized then it should be the man who brings the wheat along and not the railway that carries it. Is that what you mean?

MR. EVANS: We say the industry.

THE CHAIRMAN: Well, the industry --

MR. EVANS: We make no recommendation as to how the subsidy should be paid or the individuals to whom it should be paid or how it should be worked out. All we say is that it should be paid as a transportation subsidy if there is to be a subsidy.

THE CHAIRMAN: I suppose you say this though, that whoever ships his grain over your railway should pay more to you for carriage on that grain?

MR. EVANS: Exactly.

THE CHAIRMAN: Then the man who has no crop is not paying you anything because he has no grain to give you?

MR. EVANS: That may be so.

THE CHAIRMAN: Now, you say that indirectly you are subsidizing the shipper of grain by giving him rates entirely too low?

MR. EVANS: Yes.

THE CHAIRMAN: Then, somebody else suggests: "Well, if that is the case should the government subsidize the railway?" And you say "No, if any subsidy is to be paid, the railway do not want it but subsidize the

man who has the wheat." But all this, as I have understood it, is confined to subsidizing shippers or carriers but when we come back into it and Mr. Jefferson directs his answers to the further question of subsidizing the man who has no wheat to ship, you are getting into another domain.

MR. EVANS: My friend Mr. MacPherson is trying to get Mr. Jefferson to agree to a recommendation which the Brief does not contain. That is my trouble.

MR. MacPHERSON: Well, I submit it is not my trouble. What Mr. Evans and Mr. Jefferson have come along with is a summary and in that summary they make a suggestion of subsidization and I am trying to find out --

THE CHAIRMAN: Would you just read what they say?

MR. MacPHERSON: They say:

"If, as a matter of national policy, the grain growing industry in Western Canada should at any time require to be subsidized, the subsidy should be paid directly to the industry by the government of Canada out of general tax monies."

Now, what I am trying to find out from Mr. Jefferson, and I presume this is the considered view of the Canadian Pacific Railway Company --

THE CHAIRMAN: Behind that is there not a consideration? I mean that as we know the grain industry in Western Canada is one that is mainly directed towards exportation and that grain exportation is a matter of economic benefit to the whole of Canada and the railways, if they seem to me to say anything, say that "If you wish to subsidize that exportation, do not deal with us; deal with the man who produces it."

MR. MacPHERSON: That is what I am trying to find out from Mr. Jefferson, if that is what the Company

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does mean; he is a spokesman for the Company.

THE CHAIRMAN: The Company may have some larger project in view whereby other producers of wheat should be subsidized whether he has wheat or not but if you are going into that point, if the Company is going into that--

MR. MacPHERSON: I am trying to find out from Mr. Jefferson just what he meant by subsidization of the farmer.

COMMISSIONER INNIS: May I ask one question to clear up a step in the argument. I am wondering whether the Canadian Pacific has indicated in any way the policy they might adopt with regard to changes in rates in relation to changes in prices because I assume if the prices were to drop, it is quite clear that you could not charge a rigid type of rate or does the Canadian Pacific assume that you could?

MR. EVANS: No, I think this must be the position of the Canadian Pacific. We say that the rates should be based on all commodities on the ordinary principles of rate-making but we point out in the process that when prices are high the cost of railway operation is high and that when prices go down, the cost of railway operation goes down and that those fluctuations, while not occurring at exactly the same time, nevertheless do occur about the same time and in about the same direction in both cases.

COMMISSIONER INNIS: Well, have you any proposal or formula by which rates would go up and down in relation to prices?

MR. EVANS: Oh, no sir. I think it would be a negation of all the present principles of rate-making that you should say quite regardless of what the volume of traffic would be or the railway operation would be

THE UNIVERSITY OF CHICAGO

THE DIVISION OF THE PHYSICAL SCIENCES

DEPARTMENT OF CHEMISTRY

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that your rates should go up automatically when the price or value of the commodities being transported goes up in value or say correspondingly when the price of the commodities being transported goes down that the rates go down. There is plenty of authority for that. You cannot go to the Board of Transport Commissioners and say: "We think the rates should go up" merely because the price of these commodities we are carrying has gone up. We have to show that the cost of transportation has gone up and that our rates require to be increased.

COMMISSIONER INNIS: But if you had a formula for flexible rates which meant a rise in the rates as prices went up or a decline in rates as prices went down, then it might develop to the point where no subsidy would be needed. Now, the problem I think which arises from the lack of having a flexible rate is that the prices may go down and the rate may go up.

MR. EVANS: Of course, any scheme like that would put a railway not on a commercial basis at all but on a basis of speculation on all the commodities it carries, and I would not think that anybody would be happy under those conditions -- certainly the railways would not, and I doubt whether the people who buy and sell goods would because we have had price increases of 100 per cent and 200 per cent in a great many cases, whereas railway freight rates have not gone up anything like that and I suppose that might be true in the other direction. If you have a complete tie between prices and railway freight rates, you would probably have quite a different scheme of railway operation in this country today and it would be certainly a negation of all existing principles.

COMMISSIONER INNIS: But the more rigid the rate the more essential it is to consider some kind of subsidy?

MR. EVANS: That might be. We are not here taking a dog-in-the-manger attitude with the western farmer. Now, we have not indicated anything of this kind. We were not trying to beat the western farmer. I am quite sure that my friend would be out through the country suggesting that the Canadian Pacific was trying to gouge the western farmer. All we are saying is that if as a matter of national policy the government feels that the western farmer needs help, we are not going to object to that. That is a matter of policy between the government and the taxpayer but we say: "Subsidize those whom the government wants to subsidize, and make it clear whom you are paying the subsidy to and that the general taxpayer pays it." As long as that is done we have nothing to say.

(Page 15687 follows)

MR. MacPHERSON: Dr. Innis, I was just coming to that in the next recommendation, at the top of page 189.

Q. You say this:

"5. The price of grain in western Canada has more than doubled since the present 'Crows Nest' basis of rail freight rates was established. It is sound economics that these rates be permitted to find their proper level in accordance with changed conditions."

A. Yes.

Q. But as I understood from Mr. Evans, that does not mean that there is to be any elasticity in the rates?

A. Any what?

Q. The rates are not to be elastic; they are ^{not} to vary with the price?

A. Not every time there is a price change, no.

MR. EVANS: That is not what I said at all.

MR. MacPHERSON: What did you say?

MR. EVANS: I will be glad to say it again. I said that normally with price rises it will be found that the cost of railway operation also rises, not necessarily to the same extent or exactly at the same time, but that it does not follow that railway rates should go up and down exactly as the price of commodities they are carrying goes up and down.

THE CHAIRMAN: That brings us back to this: who was it that suggested that the railways be subsidized? What form did that suggestion take?

MR. EVANS: The Canadian Manufacturers Association and the Industrial Traffic League, and it was on this very question; they suggested some scheme such as was followed in the case of the Maritime Freight Rates Act,

might be adapted to fix grain rates and subsidies be paid to the railway. I think the suggestion was this, that the Board should be able to fix the level of the rates on grain, and that there be some formula similar to the Maritime Freight Rates Act principle, presumably the difference between the statutory Crows Nest Pass level and the rate found by the Board would be paid to the railway.

THE CHAIRMAN: In other words, the railway would continue to carry the grain at the Crows Nest level?

MR. EVANS: The railway would, presumably, as far as the shipper was concerned, carry the grain at the Crows Nest Pass level, and the railway would qualify for subsidy for the difference between that level and what the Board found proper.

THE CHAIRMAN: But this concerns the actual carriage of grain and not the growing of grain.

MR. MacPHERSON: Yes. I think we could get a suggestion from Mr. Jefferson as to the position of the company in connection with this particular recommendation.

THE CHAIRMAN: It seems the railway's answer to this suggestion is that they do not want any subsidy; they think it is ^a bad thing; if the grain business has to be subsidized, do it another way, by subsidizing the grain grower. The railway does not want any formula or scheme such as that suggested.

MR. EVANS: No, we do not.

MR. MacPHERSON: Q. When you talk about the price being doubled, you will notice by this map, Exhibit 167, that in 1932 the price in Canada was a little over 50 cents, and that it went up to about \$1.30 in 1937 -- it more than doubled?

A. Yes.

Q. And although prices more than doubled there was no crop in Saskatchewan for instance to sell in 1937?

A. That may be; that is not a railway --

Q. No, but it is sound economics that the rates be permitted to find their own level in accordance with changed conditions, and the price of grain in western Canada has more than doubled since the Crows Nest rate was established?

A. Yes. We are comparing the price in 1898 with to-day.

Q. But so far as the price in 1898 was concerned, the price in 1938, was lower than the price in 1898?

A. That may be. I think you will find some periods where, for a very short period, the prices were lower than they were in 1898.

Q. Now, Mr. Jefferson, as I understand it, your attitude is that the Crows Nest rates are, as I think you put it, unfair to the shipper and unfair to the public?

A. Unfair to the shipper of other goods.

Q. And it is on that basis that you are urging particularly your claim for the deletion of the one subsection and the amendment of the other?

A. That is one reason, because we need more money to meet expenses, and there are considerable classes of traffic that do not pay any share of the additional burden.

Q. That is to say you feel some solicitude for the shipper of other goods?

A. I think that is only proper.

Q. And that is the position you take?

A. Yes.

Q. In asking for the deletion of one subsection and the partial deletion of the other subsection in section 325?

A. You see, Mr. MacPherson, I don't know how the West can expect to have equalization in rates and still have low grain rates. The western provinces are asking that all freight rates between the East and West be equalized. Now, how can you equalize rates if you don't equalize all of the rates?

Q. That will come up in argument in due course. At the moment we are talking about the Crows Nest rates?

A. Yes, sir.

Q. And you are placing your reason for their abolition on the ground that it is unfair to the shipper of other goods?

A. That is one of them. We do not feel we are getting a proper remuneration for the carriage of grain.

Q. Just to carry that one step further, in the matter of taxation Mr. Evans said they were big taxpayers in Canada. Actually, by agreement and by statute the railways are exempt, or seek to be exempt, from taxation in certain parts of the country; do they not?

A. I think we pay income tax all over the country.

Q. Take in the province of Saskatchewan, the taxes on the branch lines?

A. That may be property tax.

Q. Pardon?

A. That is not income tax.

Q. If you do not pay taxes then the increase of taxation falls on other people in the province, does it not?

The company is at the moment resisting taxation on its branch lines in Saskatchewan?

A. I don't know anything about the company's position with respect to property taxation.

Q. Have you any knowledge of the situation in the city of Winnipeg?

A. I understand that we do not pay taxes in Winnipeg.

Q. And you understand that the city of Winnipeg is trying to force taxation from the railway?

A. I have general knowledge of it, yes.

Q. On the ground that other taxpayers, such as other shippers --

MR. SINCLAIR: No.

MR. EVANS: No, no; that is not one of the grounds taken by the city of Winnipeg.

MR. MacPHERSON: Q. Is that not the reason, that other taxpayers have to pay more because the Canadian Pacific does not pay any?

MR. EVANS: Is this an argument with a traffic witness? I have to object to it. I will be glad to give the Commission any information we have on these cases, but Mr. Jefferson is not qualified to deal with legal questions which have nothing to do with traffic.

(Page 15693 follows)

MR. MacPHERSON: I am thinking more of consistency on the part of the company.

MR. EVANS: You should not ask this witness about it.

MR. MacPHERSON: We will argue any difficulties. I won't press it with Mr. Jefferson, then.

THE CHAIRMAN: We have proceeded from the beginning along the line that the person before us -- if there was some other witness who was better qualified to deal with a question, then we would just stand the present witness aside and let the other witness come forward.

It does strike me, however, that you are arguing certain things, Mr. MacPherson.

MR. MacPHERSON: I can put it in argument.

THE CHAIRMAN: You can tell us all about it evidentially.

MR. MacPHERSON: I asked him particularly about the City of Winnipeg.

THE CHAIRMAN: It would not take you long to put that in evidence?

MR. MacPHERSON: No, no.

THE CHAIRMAN: Then you can proceed to argue whatever you like.

MR. MacPHERSON: It will be argued about the same time before the Supreme Court of Canada, in any event.

THE CHAIRMAN: I think we can save time by accepting the witness in the capacity in which he has been called.

MR. MacPHERSON: I was simply following up the argument made by Mr. Jefferson himself, that the strong argument for the abolition of the Crow's Nest rates was due to concern for the shippers of other goods.

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THE CHAIRMAN: Due to the concern for the shippers of other goods?

MR. MacPHERSON: Yes.

THE CHAIRMAN: Who are being called upon to pay in excess.

MR. MacPHERSON: Who are being called upon to pay in excess; and I was asking these other questions to indicate consistency so far as the company was concerned, in the matter of taxation.

Now, there is one other reference I want to make. It is a reference to an annual report and I want to read this into the record. Probably Mr. Jefferson has not particular knowledge of it. It is the annual report for 1932, and this is the portion --

THE CHAIRMAN: What is the page?

MR. MacPHERSON: It is page 8. And the heading is "Dividends".

"With the greatest regret, your directors must announce that the general situation, and the result of the year's operation, preclude the possibility of any further distribution for the year 1932 to either Preference or Ordinary Stockholders. The excellent wheat crop, the fourth largest in ten years gave promise of an important increase in gross earnings, but the decline in the market which commenced early in October and continued to the end of the year, interrupted its movement, with the result that such traffic was only slightly better than in the corresponding period of 1931. With this decline in the basic industry of the country disappeared also the hope which had been entertained of an increase of general traffic. Your directors can only continue to exhort patience until the turn of the tide."

MR. MacPHERSON: Q. Now, Mr. Jefferson, in the matter of subsidy, the company does not like the idea of a subsidy. You have told us that?

A. Yes.

Q. But there was a subsidy of \$11,000 per mile paid in respect to the building of the Crow's Nest line; and that was a subsidy?

A. That is right.

Q. Was the land -- and by the way, have you got the particulars as to what land was obtained from the Province of British Columbia?

A. No, sir; I have not that information today.

MR. SINCLAIR: We are working that information up, and we will have it available as soon as we can.

MR. MacPHERSON: Thank you, Mr. Sinclair.

MR. MacPHERSON: Q. Now, if there was land obtained, was that an additional subsidy?

A. If there was land?

Q. Does the company, if land was obtained in respect of the construction of the road, does it regard it as an additional subsidy, additional to the cash subsidy?

A. I do not know. I am not familiar with subsidies that are granted for the building of railways.

Q. I beg your pardon?

A. I said: I do not know. I am not familiar with subsidies that are granted for the building of railways.

Q. You do not know anything about it, and you do not know as yet about the land which the company obtained or the coal lands?

A. No, sir.

Q. Now, actually, at the time the company constructed the Crow's Nest Railway, it had no interest

in the Consolidated Smelters?

A. I do not know how one antedates the other.

Q. I beg your pardon?

A. I do not know how one antedates the other.

MR. SINCLAIR: My lord, I know Mr. MacPherson would like to have the facts right; but the Augustus Heinze interests, which were the forerunners of the Smelters, were connected with the Columbia and Western Railway, and that railway ran from the Columbia River westward; that is, a considerable distance west of Nelson, which was the western terminus of the railway contemplated by the Crow's Nest Pass agreement; and that railway, and the development of the mining areas of British Columbia, and the Canadian Pacific's interest in it antedated the Crow's Nest Pass agreement.

I think it is correct to say that 1897 was the year that we did, as I recollect it -- I am checking these facts -- we did acquire an interest in the Augustus Heinze Columbia Western Railway, and its interests in some smelter at Trail, but it is away west of Nelson. There is another railway in between Nelson and the Columbia and Western. That was the Columbia and Kootenay.

THE CHAIRMAN: You say there is or there was another railway?

MR. SINCLAIR: There is another railway which was chartered to build between Nelson and the east bank of the Columbia River. That was the Columbia and Kootenay. But these are facts which we are checking and we will be glad to supply this factual data to the Commission and to Mr. MacPherson.

THE CHAIRMAN: Are you going into the range

of benefits which the company received?

MR. MacPHERSON: That is right. That is my position. I want to deal with smelters. I want to deal with the position, the factual position; and if there are any additional facts which the company can give, well and good. But it will be my contention that, so far as the company is concerned, it was part, -- and I will argue so -- that it was part of the whole venture, of the Crow's Nest venture; and I want to put on the record, and I have prepared, and I want to read into the record a statement as to the investment of the Canadian Pacific in this company and as to the return. And if the statement is incorrect, then it can be corrected by my friends.

THE CHAIRMAN: You are giving notice of that now, notice of the material which you intend to produce. I am just wondering whether Mr. Jefferson is the witness to deal with it.

MR. MacPHERSON: He is the witness who was called and who has given evidence on the history and the historical aspects of the Canadian Pacific.

THE CHAIRMAN: Was he called for that purpose?

MR. EVANS: He was called as a traffic witness, and he read it.

MR. MacPHERSON: Well, he read it.

THE CHAIRMAN: If there is any more expeditious way which you can suggest, Mr. Evans, to have this material put in and with the company's comment on it, you might tell us what it is. But at the time, we have Mr. Jefferson here.

MR. EVANS: Neither Mr. Jefferson nor any other of the present officers of the company could give this history as well as it could be got from the

statutes and the books. There are a lot of statutes to which we would be glad to give the Commission a reference; and there are the annual reports of the company. My friend has got the annual reports, and he has access to the statutes, and he can build up any sort of historical case he likes.

Our witnesses are not historians. They do not know all of this material which is set forth. Mr. Jefferson should not even touch it.

THE CHAIRMAN: I am wondering if there are not matters which Mr. Jefferson can deal with more advantageously and which other counsel may wish to examine upon. If we keep Mr. Jefferson here as a mouthpiece of the history, then we are keeping other counsel from cross-examining him.

MR. MacPHERSON: Mr. Jefferson has been called as a witness by the company, and he has given evidence on the history of the Crow's Nest Pass development. He has not referred to the Consolidated Smelters in that evidence. I know that he is not the auditor or the accountant of the company in any way.

MR. EVANS: Or the historian.

MR. MacPHERSON: "Or the historian". My friend is the historian. But I would like, and I want to deal with this and I am not going to take any time of the witness. But I want to read into the record now a statement, and I shall furnish my friends with a copy of it. If it is incorrect -- this is as to investment returns and present value.

MR. EVANS: Why read it into the record. Why does not my friend give it to us?

MR. MacPHERSON: Very well, I will give it to you. There is a copy right there.

The statement, a copy of which I have given to my friends, shows:

"Investment of C.P.R. as at 31 December, 1948
to be 1,682,500 shares, par value \$5.00, - -
\$8,412,500.00

Total capital stock outstanding of the
company is 3,276,329 shares -- "

THE CHAIRMAN: What company is this?

MR. MacPHERSON: Consolidated Mining and
Smelting Company of Canada, Limited, Mr. Chairman.

"-- 3,276,329 shares, or a total of \$16,381,645.00"

MR. EVANS: I would like my friend to tie up this point. I cannot see what our investment in Smelters has got to do with the matters before this Commission. I have no desire to keep out material which is relevant, but I do think my friend should indicate in what way he thinks this information about Consolidated Mining and Smelting Company of Canada, Limited, is relevant to this inquiry.

THE CHAIRMAN: Perhaps as being tied to this agreement of 1897. Are you stating that?

MR. MacPHERSON: I am urging that it is part of the whole venture of 1897.

THE CHAIRMAN: The 1897 agreement; and again, it was money received, and it ought to be taken into consideration when you apply for an increase in freight rates, and so on. So I think it is well to hear all that might be said on both sides of the question. And Mr. MacPherson is proceeding to give his information. But I cannot see that Mr. Jefferson is the man to be kept in the box while this is going on.

MR. MacPHERSON: It will only take three minutes to put it in, and then I will go on cross-

examining him. I do not see how we can exclude it.

MR. EVANS: We will check this information, and after we have checked it it can be filed as an exhibit for what it is worth, under some reservation, perhaps, as to relevancy. But I do not think we should have it on the record until it has been checked. And when it is checked, we will tell Mr. MacPherson that it can go in as an exhibit.

MR. MacPHERSON: Well, I choose to put it in as an exhibit right now.

THE CHAIRMAN: What is it based upon?

MR. MacPHERSON: It is based upon the Canadian Pacific annual reports and on the balance sheets of the Consolidated Mining and Smelting Company of Canada, Limited.

THE CHAIRMAN: And you are going to read an extract?

MR. MacPHERSON: No, a summary.

THE CHAIRMAN: Your own summary?

MR. MacPHERSON: As to what is disclosed by these reports.

THE CHAIRMAN: Go on; and then if Mr. Evans thinks there are any inaccuracies in it, they can be put down as corrections. Go on.

MR. MacPHERSON:

"Percentage held by C.P.R.	51.35%
----------------------------	--------

Book value of investment on C.P.R.	
books	\$17,046,561.00"

Now, that is shown by exhibit 354 filed in the 30 per cent case as a return of the Canadian Pacific.

"Book value of investment on CPR books	
per share	\$ 10.13

Book value of Consolidated Smelter
stock (31 December, 1947)

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Capital	\$16,381,645.
Earned Surplus	59,951,528.
Premium on shares issued	<u>7,585,245.</u>
Or a total of	<u><u>\$83,918,418.</u></u>
Or a value per share of	\$ 25.61

There is held by the Canadian Pacific

1,682,500 shares with a published

value of \$25.61, or a total of \$43,088,825.00"

The market value of the stock on the 31st of December, 1939, according to Exhibit 354 in the 30 per cent case, was \$47.74, or \$80,339,000.

According to the same exhibit, on the 31st of December, 1946, the market value was \$87 per share, or \$146,377,000.

On February 10, 1950 -- and the particular authority for this is the Montreal Gazette, the per share market value was \$99.50, or a held value of \$167,408,750.

THE CHAIRMAN: What was the last figure?

MR. MacPHERSON: That was the market value on February 10, 1950, \$167,408,750.

"SUMMARY

Carrying value on C.P.R. books,

\$17,046,561. - or \$10.13 per share,

Book value on Smelters' books,

\$43,088,825. - at \$25.61 per share.

Market value, February 10, 1950,

\$167,408,750. - or \$99.50 per share."

As to dividends received by the Canadian Pacific from Consolidated Mining and Smelting Company of Canada Limited, they were:

Figure 1. The effect of the concentration of the *Agrobacterium* suspension on the transformation efficiency of *Agrobacterium* strains. The number of transformed cells was determined by the number of colonies obtained on the selective medium. The results are the mean of three independent experiments. Error bars represent standard deviation.

[illegible]
$$(\partial^2/\partial x^2 + \partial^2/\partial y^2)u = 0, \quad \partial u/\partial n = 0 \quad \text{on } \partial\Omega, \quad \text{for } u \in H^1(\Omega).$$

• 1 2 3 4 5 6 7 8 9 10 11 12

$$f(x) = f_1(x) + f_2(x) + \dots + f_n(x) \quad \text{where } f_i(x) = \frac{1}{n} \sum_{j=1}^n f_j(x)$$

[Faint handwritten notes at the bottom of the page]

"DIVIDENDS RECEIVED BY C.P.R."

<u>Year</u>	<u>Amount</u> *	<u>Per Share</u>	<u>Yield on</u> <u>Carrying Value of</u> <u>CPR Investment</u> <u>(\$17046,561)</u>
1934	\$1009,500	\$ 0.60	5.9%
1935	2187,250	1.30	12.8%
1936	3365,000	2.00	19.7%
1937	5888,750	3.50	34.5%
1938	4206,250	2.50	24.7%
1939	3365,000	2.00	19.7%
1940	3785,625	2.25	22.2%
1941	4206,250	2.50	24.7%
1942	4206,250	2.50	24.7%
1943	4206,250	2.50	24.7%
1944	4206,250	2.50	24.7%
1945	4206,250	2.50	24.7%
1946	7150,625	4.25	41.9%
1947	13460,000	8.00	79.0%
1948	18507,500	11.00	108.6%

* Source - C.P.R. Annual Reports --
Consolidated Smelters Balance Sheet."

THE CHAIRMAN: We shall adjourn now until
this afternoon.

---At 1 p.m. the Commission adjourned until 2.45 p.m.

TABLE 1. SUMMARY OF RESULTS

Run No.	Time, sec	Distance, ft	Speed, ft/sec
100.0	00.0	000,000	0.0
100.1	00.1	000,000	0.0
100.2	00.2	000,000	0.0
100.3	00.3	000,000	0.0
100.4	00.4	000,000	0.0
100.5	00.5	000,000	0.0
100.6	00.6	000,000	0.0
100.7	00.7	000,000	0.0
100.8	00.8	000,000	0.0
100.9	00.9	000,000	0.0
101.0	01.0	000,000	0.0
101.1	01.1	000,000	0.0
101.2	01.2	000,000	0.0
101.3	01.3	000,000	0.0
101.4	01.4	000,000	0.0
101.5	01.5	000,000	0.0
101.6	01.6	000,000	0.0
101.7	01.7	000,000	0.0
101.8	01.8	000,000	0.0
101.9	01.9	000,000	0.0
102.0	02.0	000,000	0.0

TABLE 2. SUMMARY OF RESULTS

100.0 00.0 000,000 0.0

100.1 00.1 000,000 0.0

100.2 00.2 000,000 0.0

Friday, Feb. 17, 1950

AFTERNOON SESSION

C.E. JEFFERSON-RECALLED

CROSS-EXAMINATION BY MR. MACPHERSON (CONT'D)

Q. I think I have finished, my lord, dealing with the question of Crow's Nest rates. There are one or two other matters I wanted to ask Mr. Jefferson about that are not covered by cross-examination probably by other provincial counsel. Yesterday, Mr. Jefferson, you read from pages 135, 136 and 137 of Part II. That was dealing with the bridge area north of Lake Superior?

A. Yes sir.

Q. Now, in that table on page 136 you give the number of tons per mile. Now, for the provinces of Manitoba, Saskatchewan and Alberta do you figure in there all the branch lines of the railway that are in these three provinces?

A. Yes sir, all the originating tonnage.

Q. But in these three provinces all branch lines are included in arriving at that tonnage per mile?

A. Yes sir.

Q. Whereas between Sudbury and Port Arthur there are no branch lines at all -- all main lines?

A. All main line, I think, except perhaps a few miles.

Q. And between Sudbury and Winnipeg?

A. Yes.

Q. What about the Soo branch?

A. The Soo branch is not included.

Q. The Soo branch is not included?

A. No sir.

Q. That is not shown in the tonnage here at all?

A. No sir.

Q. Now, in respect of these figures, I suppose you cannot give me figures as to tonnage which terminates in these various areas?

A. I haven't it here; they are figures that are available.

Q. But you have not that information here?

A. No. I would like to say that in preparing the figures on page 136 that we did not include the tonnage on grain products originating at Keewatin because we did not think it was fair to do so because it was milling-in-transit traffic.

Q. That is the flour?

A. Yes, they were not included either as terminating if we included terminating tonnage because it takes a balance of a through rate.

Q. So far as the Port Arthur, Fort William and west Fort William items are concerned would much of that be trans-shipment from steamships?

A. No, through business is included as far as West Fort William, Fort William and Port Arthur are concerned either between the east and west by rail or between the east and west boat lines.

Q. Now, would that include coal, agricultural implements and all that sort of thing?

A. It would include coal that came up the lakes and unloaded from a boat onto the docks and was then shipped--perhaps in the wintertime.

Q. And there is quite a quantity of that?

A. Yes sir.

Q. And likewise there are large quantities of agricultural implements that come up particularly from the United States and that are warehoused there?

A. No sir, not from the United States.

Q. Well, from the east?

A. Any binder twine that comes up to Fort William from the Plymouth Cordage Company is all lake and rail traffic, but if it went into the warehouse at Fort William and was reshipped at another date, when it was reshipped it would be included in that tonnage. Yes, sir, that is right.

Q. It would be included in that tonnage?

A. Yes, that is right.

Q. Now, have you a **breakdown** of the one million three hundred and eight thousand tons between Sudbury and Port Arthur and the classifications these are in?

A. By commodities, no, sir.

Q. A breakdown to what effect then? What sort of breakdown have you of the 1,308,000?

A. Only as to stations, that is all.

Q. Then, I would like to have them as to stations?

A. Between Sudbury and Winnipeg?

Q. Between Sudbury and Port Arthur first.

A. There are a lot of them here.

Q. The main ones I want; I don't want all the little ones. Nipigon, I suppose, would be one?

A. Well, Nipigon not very much. Going east from Fort William I won't give you any, we will say, under ten thousand tons. Red Rock; that is Nipigon perhaps in your thought, because Red Rock is where the mill is. It is the next station to Winnipeg. Red Rock is 35,459 tons.

Q. When was that mill established?

A. The Red Rock mill was established some time ago.

Q. And it was closed for a number of years?

A. That is right.

Q. When did it reopen?

A. I cannot give you the date it was reopened but I would say it was reopened before 1948.

Q. And the fact is that that mill had been operated for a comparatively short period of time, closed, and was closed for quite a long time?

A. Yes, sir, but I have no idea of it closing now. I think it is going to continue operation.

Q. Well, we will hope so.

A. I am going to give you this next one here, Terrace Bay, 7075 tons. Now, Terrace Bay would be a lot more in 1949 or 1950 because Terrace Bay was not completed to ship pulp until the latter part of 1948. Terrace Bay in 1949 or 1950 would be more comparable with **Marathon** and Marathon in 1948 which I will give you next was 102,595 tons.

Page 15709 follows)

Q. These are both new developments?

A. That is right.

Q. Both started in 1948, or was Marathon about 1947?

A. Marathon started shipping outbound I would say in 1947.

Q. And Terrace Bay started when?

A. 1948.

Q. Is there lake shipping out in connection with these projects?

A. Not from Terrace Bay, no.

Q. From Marathon?

A. From Marathon there is a small movement outbound by water. I think in 1948 -- I do not have the information here and I do not want to guess at it -- they had a few boatloads of pulpwood from Marathon.

Q. What is next to Terrace Bay coming east?

A. The next of any importance is Marathon; and the next one east of Marathon is White River, 20,061 tons?

Q. That is a divisional point?

A. Yes sir.

Q. What does that mostly consist of, pulp?

A. I would think White River would consist largely of lumber.

Q. Lumber?

A. I would think so, lumber or pulpwood.

Q. And the next?

A. The next one is Dalton, 9,909 tons; that would be lumber and pulpwood.

Q. That is about half-way between White River and Chapleau, is it?

A. Yes sir.

Q. What is the next?

A. The next of importance would be Chapleau, 11,959 tons.

Q. Lumber again?

A. Lumber and pulpwood. The next one is Nemegos, 56,402 tons.

Q. What is that?

A. That would be lumber and pulpwood.

Q. Is that a new development? There is a new mill there?

A. I think Nemegos is -- I won't say it is entirely new, but the Kalamazoo **Parchment** Company at Espanola get a lot of their wood from the territory between Chapleau and Cartier.

Q. And the next?

A. The next one east of Nemegos is Sulten, 68,394 tons.

Q. Is that lumber again?

A. Lumber and pulpwood. The next one is Ramsey, 15,581 tons.

Q. Lumber and pulpwood again?

A. Yes sir.

Q. And the next?

A. The next one is Leveack, 949,204 tons.

Q. What is that?

A. That is ore going to the International Nickel Company.

Q. And that is very close to Sudbury?

A. Yes, a few miles.

Q. With a very short haul to Sudbury?

A. That is right, maybe twenty odd miles.

Q. That is 949,000 tons?

A. Yes sir.

the Government would be obliged

to supply

the necessary information.

It is

the duty of the Government

to supply the necessary information.

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Q. That is 949,000 tons of the 1,308,000 tons?

A. That is right.

Q. Which is more than two-thirds of the total?

A. That is right; but you must bear in mind with a lot of this tonnage I have given you that you get another haul on the product from the place where it is processed?

Q. But that doesn't enter into the argument that was made in the Saskatchewan brief. How far is that haul to Sudbury, for the 949,000 tons?

A. What do you mean by the Saskatchewan brief?

Q. The Saskatchewan brief you are answering about the bridge. ^{and} what went from Sudbury east?

A. Yes. What I am pointing out is that it all adds grist to the mill; and if you haul pulp to the mill at Espanola, or haul ore to the mill at Copper Cliff, you get another haul and more revenue.

Q. Of the 1,308,000 tons, 948,000 tons was ore hauled how far?

A. Roughly, I would say, about twenty to twenty-five miles.

Q. Now between West Fort William and Winnipeg there is 850,000?

A. Yes sir.

Q. What is the breakdown of the major items, Mr. Jefferson?

A. There again I will give you those nearly 10,000 and over. The first one west of Fort William is Raith, 43,314 tons.

Q. Is that pulpwood?

A. Pulpwood and lumber. The next one is Upsala, 32,696 tons.

Q. Lumber and pulpwood again?

A. Yes sir; I would think mainly pulpwood. The

next one is Martin, 72,845 tons. The next one is Ignace, 12,716 tons.

Q. That is mostly pulpwood?

A. Yes sir. All these I am giving you now are either pulpwood or lumber, mainly. Wabigoon, 11,897 tons; Dryden, 57,507 tons.

Q. Dryden would be what?

A. Principally paper and pulp; not pulpwood, but paper and wood pulp. The next one is Eagle River, 9,078 tons.

Q. Pulpwood again?

A. Yes sir. Vermilion Bay, 166,433 tons.

Q. What is that?

A. That would be pulpwood and lumber. The next one is Kenora, 115,192 tons.

Q. And what is that?

A. That would be newsprint paper and wood pulp.

Q. I suppose that would be going west to Winnipeg?

A. Either to Western Canada or to the United States.

Q. Is the movement mostly west or east from Kenora?

A. From Kenora mostly west; that is from either west to points in Canada or west through Emmerson to the United States. The next is Keewatin, 4,313 tons.

Q. That does not take in any flour at all?

A. No. Then we have Oakbank in Manitoba, 13,868 tons; that would be ~~for~~ grain. Then Beausejour, 51,514 tons.

Q. That would be grain?

A. Yes, sir.

Q. Then Tyndall, 7,526 tons; that would be grain or stone from the Tyndall quarries. Then Birds Hill, 214,807 tons; that would be grain and crushed stone and gravel from the pits at Birds Hill.

Q. So far as the grain is concerned, the movement of

that grain would be to Fort William?

A. Yes, sir.

Q. I think it is also a fact, is it not, that there has been a definite falling off in the movement of pulp during the past year?

A. No, sir.

Q. Not as far as the Canadian Pacific is concerned ?

A. I mean in so far as Terrace Bay and Marathon, and Dryden and Kenora are concerned; the shipments have held up very well.

Q. What about that other points, have they held up as well?

A. At other points?

Q. At the other points you had mentioned, for pulpwood.

A. I don't know about this district. I would think that the pulpwood movements from the points between Sudbury and Fort William to Kenora maintained in 1949 their 1948 level. I mean, there hasn't been any reduction in the production of pulpwood in these mills at either Espanola or Marathon or Terrace Bay.

Q. Having come over that road a great many times, I could not understand where the 1,308,000 tons came from between Fort William and Sudbury. I can understand it now with 948,000 tons from 20 miles out.

A. Yes, sir, that is right.

Q. Now, Mr. Jefferson, just a word in connection with competitive rates. When the 21% increase became effective, that was imposed very generally, wasn't it on competitive rates? ?

A. Yes.

Q. The 8% increase has not been so generally applied to competitive rates?

A. No. That was because after the 21% increase in

April of 1948 we again increased competitive rates 15% in September, 1948. And after September, 1948, we analyzed a lot of the remaining competitive rates and further increased those rates.

Q. As a matter of fact, you have decreased some rates too, have you not?

A. Very few.

Q. There was a tariff -- and this is one point I want to ask you about specifically -- it is supplementary 87, C.P.R., E 1351(a) between Toronto and Windsor?

A. What on?

Q. Commodities. I have a page here starting with (a) to (c), 68 items where there were reductions.

A. I don't know what they are.

Q. I will name some of them: Cotton bags, ale, and beer barrels.....

A. All from Toronto to Windsor?

Q. Yes, between Toronto and Windsor.

A. Not to my knowledge.

Q. You have no knowledge of that?

A. No. What is the number of that tariff?

Q. This tariff, I understand, became effective February 1, 1950.

A. You are talking about the pickup and delivery tariff now?

Q. You call it the pickup and delivery tariff?

A. Yes.

Q. Have there been substantial reductions, or any reduction?

A. No, sir. What happened to that tariff is this : The pickup and delivery rates in this tariff E 1351(a) is they were increased 21% effective the 8th of April, 1948. They were increased 15% on the 15th of September,

1948; they were not increased 8 per cent in October, 1949. On the 1st of February, 1950, we cancelled the special classification in this pick-up and delivery tariff, where the commodities were grouped in columns 1, 2, 3 and 4. Now in those commodity groups were articles in group 3 that may have been classified first class or second class; more second than first. In group 4 we had commodities that were classified second class and third class, reducing the classification one class. Some of the commodities we did not reduce the classification at all, but we show the group in here with, if I may say, a modified classification, to the extent that the earlier classification of the commodity had a different rate, or the manner in which the goods were packed. In this classification the commodities took one group rate. Now, on the 1st of February, 1950, we cancelled ^{the} special classification and applied the regular classification to the group rates.

Q. Did that result in --

A. I am coming to that in a minute now. We also wiped out the 15 per cent increase in September, 1948, and applied the 8 per cent in addition to the 21 per cent. Now, in doing so, many, many commodities had the rates increased on the 1st of February, 1950. You will find some commodities -- I suppose someone has given you a list where the actual rates between Montreal and Windsor may have been reduced.

Q. No, between Toronto and Windsor.

A. Toronto and Windsor, may have been reduced; but in the main the rates were increased.

Q. Do the increases outweigh the reductions?

A. Far outweigh the reductions.

Q. There were many items which were reduced, but many more were increased?

A. Yes. There were no items where the classification was reduced, but where group rates in this tariff were the same rating as the classification, and in eliminating the 15 per cent in September, 1949, and applying the 8 per cent to the 21 per cent, it naturally made reductions on a few items involved in this category.

Q. Would you say that was a few items?

A. A few items, yes; particularly a few items when you consider the volume of traffic.

Q. I think that is all, thank you, Mr. Jefferson.

CROSS-EXAMINATION BY MR. SHEPARD:

MR. SHEPARD: Mr. Chairman, I might say first that I have asked my friend Mr. Evans whether an economic witness will be appearing for the C.P.R., and he has advised me that there will be one. The questions that I have in mind asking Mr. Jefferson may in part have a small economic flavour, but I have attempted, or will attempt, to ask him only questions in his capacity as a traffic expert, and that is my intention.

Q. I would ask you, Mr. Jefferson, first to turn to page 36 of Part I of the Canadian Pacific submission.

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1. The first part of the report is a general statement of the work done during the year.

2. The second part is a detailed account of the work done in each of the several departments.

3. The third part is a summary of the results of the work done during the year.

4. The fourth part is a statement of the financial condition of the institution.

5. The fifth part is a statement of the progress of the work done during the year.

6. The sixth part is a statement of the progress of the work done during the year.

7. The seventh part is a statement of the progress of the work done during the year.

8. The eighth part is a statement of the progress of the work done during the year.

9. The ninth part is a statement of the progress of the work done during the year.

10. The tenth part is a statement of the progress of the work done during the year.

11. The eleventh part is a statement of the progress of the work done during the year.

12. The twelfth part is a statement of the progress of the work done during the year.

13. The thirteenth part is a statement of the progress of the work done during the year.

14. The fourteenth part is a statement of the progress of the work done during the year.

15. The fifteenth part is a statement of the progress of the work done during the year.

16. The sixteenth part is a statement of the progress of the work done during the year.

17. The seventeenth part is a statement of the progress of the work done during the year.

18. The eighteenth part is a statement of the progress of the work done during the year.

19. The nineteenth part is a statement of the progress of the work done during the year.

20. The twentieth part is a statement of the progress of the work done during the year.

21. The twenty-first part is a statement of the progress of the work done during the year.

22. The twenty-second part is a statement of the progress of the work done during the year.

23. The twenty-third part is a statement of the progress of the work done during the year.

24. The twenty-fourth part is a statement of the progress of the work done during the year.

25. The twenty-fifth part is a statement of the progress of the work done during the year.

26. The twenty-sixth part is a statement of the progress of the work done during the year.

27. The twenty-seventh part is a statement of the progress of the work done during the year.

28. The twenty-eighth part is a statement of the progress of the work done during the year.

29. The twenty-ninth part is a statement of the progress of the work done during the year.

30. The thirtieth part is a statement of the progress of the work done during the year.

31. The thirty-first part is a statement of the progress of the work done during the year.

32. The thirty-second part is a statement of the progress of the work done during the year.

33. The thirty-third part is a statement of the progress of the work done during the year.

34. The thirty-fourth part is a statement of the progress of the work done during the year.

35. The thirty-fifth part is a statement of the progress of the work done during the year.

36. The thirty-sixth part is a statement of the progress of the work done during the year.

37. The thirty-seventh part is a statement of the progress of the work done during the year.

Q. In introducing your direct examination, my friend Mr. Carson read into the record the text of paragraphs 33 and 34 from the Canadian Pacific Railways outlined Submission and there were just a few ~~rather~~ general questions that I wanted to put to you with reference to those two paragraphs.

THE CHAIRMAN: Now, what is the page again?

MR. SHEPARD: Page 36, sir, of Part I. Paragraph 33 expressed a belief of the Canadian Pacific Railway that the present system of establishing and controlling the freight rates tends to produce transportation charges which encourage the development of Canada along sound economic lines. I just wanted to ask you whether, in your opinion, you would say that if the freight rate structure that has developed had not developed along the lines that it has developed, do you think that Canada's economic development would have been retarded? Do you think the freight rate structure was the instrument or that we would have developed as we have anyway?

A. I would not say that freight rates should take the credit for all the development of Canada but I would say that freight rates have been of great importance in developing Canada.

Q. But I take it from your answer that you would agree that perhaps some other freight rate structure might have ~~done just~~ as good a job in the general picture as the one that now exists?

A. Well, it may be, but I think in a lot of respects they would have had to have done the same as we did to accomplish the same result.

THE CHAIRMAN: Pardon me, I want to make sure we are on common ground. That paragraph 33 seems to me to refer to the present system of establishing and

controlling.

MR. SHEPARD: Well, it does refer though, sir, in the last line to the freight rate structure. It is referring to the system but it goes on to say -- "-- and compensate for geographic disadvantages as far as it would be safe to endeavour to accomplish this by means of the freight rate structure".

THE CHAIRMAN: I suppose that means that the system authorizes the employment of the freight rate structure in order to remove geographic and other disadvantages as far as it can reasonably be expected to go. Is that it?

MR. SHEPARD: I take it that that is the Canadian Pacific Railway Submission and I just wanted to attempt to clarify it.

COMMISSIONER INNIS: This includes the Crow's Nest Pass rates?

MR. SHEPARD: Yes, it would, I presume, because it is prt of the freight rate structure.

THE CHAIRMAN: I think what governs there is the system. "Canadian Pacific believe that the present system of establishing and controlling freight rates." I would imagine offhand that means a system wherein freight rates are established and controlled by the Board.

MR. EVANS: If there should be any doubt about it, I hasten to assure you that that is exactly what it does mean.

MR. SHEPARD: I think it just as well to have that clarified because the present system certainly does include the Crow's Nest Pass grain rates.

THE CHAIRMAN: It does. It is not entirely the Board because in the case of these particular rates it is a statute. You did not mean to say that?

MR. EVANS: No sir, what I am saying is just what your lordship says. What is obviously intended is the system of fixing freight rates under the Board of Transport Commissioners. I should think that no one could read that brief and think that we were supporting the system of fixing rates by statute.

MR. SHEPARD: I am inclined to agree with Mr. Evens on that. Then, paragraph 34, Mr. Jefferson, deals in a very broad way with the development of trade east and west and refers to the results that might have flowed if there was today economic union between Canada and the United States with reference to the level of freight rates we might have to pay in this country. I just wanted to discuss that briefly with you.

THE CHAIRMAN: What value do you give there to economic union?

MR. SHEPARD: Well, I just wanted to bring out one point with reference to that, Mr. Chairman. It is the general line that has been developed in other briefs. The Canadian Pacific Railway's view has been expressed, I think, on many occasions that if there were economic union, we would be paying higher freight rates than we are today.

THE CHAIRMAN: That is, if there were no tariff barriers or quotas or impediments between the flow of grain and so on between the two countries. The Canadian Pacific Railway Company says what -- that freight rates would be higher than they are in Canada today?

MR. SHEPARD: Higher, I believe it was.

MR. EVANS: Higher, not lower, is the way I believe it was put.

MR. SHEPARD: And I wanted to ask Mr. Jefferson whether there is really any value in discussing that possibility because the facts are that today trade does

flow east and west. There is the barrier there. The trade has developed in that channel.

THE WITNESS: Well, I think people have the wrong conception of the east and west and north and south movement of traffic. Now, the Canadian Pacific interchanges a lot of traffic with the United States railroads and I will just deal with western Canada.

We have interchanges with the United States railroads with Emmerson, Gretna, Portal, Coutts, Kingsgate and Huntingdon, B.C., and I would just like to give you some figures. In the year 1948 the southbound movement of traffic from Western Canada to the United States which the Canadian Pacific delivered to those connections at the junction points I mentioned amounted to 59,568 cars and during that same year, 1948, the Canadian Pacific delivered to its eastern line at the head of the lakes for movement east 81,890 cars. Westbound we received from our connections at the international boundary points in Western Canada that I mentioned in 1948, 38,067 cars --

MR. EVANS: Did you say westbound or northbound?

A. Northbound, you could call it, but it is west.

THE CHAIRMAN: That is, coming into Canada?

A. From the United States to Canada 38,067 cars and from Eastern Canada the eastern lines delivered to the **Western** lines in the same year 54,419 cars. Now, it is true the interchange between the east and the west was more than the north and the south but the north and south movement was a very sharp percentage of the total.

MR. SHEPARD: Now, I am saying that that is the situation today?

A. Yes sir.

Q. But if the tariff barriers had not been erected in the first place --

A. The rail barriers?

Q. No, customs tariff barriers. The chances are that there would have been an even greater north-south movement of traffic?

A. That might be, yes sir.

Q. So that there is not really any advantage in saying that if there was no tariff barrier today, if it was suddenly removed, we will pay higher rates up here? It is a pattern that would require years to develop?

A. I am saying from a freight traffic point of view that the traffic **could** move today if the rates are not too high.

Q. Yes, there is no question about that, but the comparison United States-Canada to simply make the statement that if Canadian customs barriers did not exist we would pay higher freight rates in this country, it does not necessarily follow because the whole pattern of trade would be different from what it is and it might have an impact on conditions both in Canada and the United States?

A. Maybe we are talking about two different subjects. I am talking about Western Canada and United States compared with Western Canada and Eastern Canada. In my evidence I said in one place, if that is what you had in mind, that if there was not a railway from Sudbury to Winnipeg and all the traffic from Eastern Canada to Western Canada went through the United States, what I said was that the rates through Eastern Canada and the United States would be higher than they are today through Canada.

Q. I was talking about paragraph 34 at the moment but let us pursue your line of evidence, Mr. Jefferson. You are assuming that you have the present Canadian economy and you take out the railway north of the Great

Lakes so that all traffic goes through the United States?

A. Yes sir.

Q. Now, my point is this, that if that in fact had been the development, the whole economic pattern as it progressed over the years would have been so different that you could not say today what the freight rates would be in Western Canada?

A. I don't know how the economics that you mention would be affected because if the tariff between Canada and the United States today was what it is today, I don't see how that would affect it.

Q. But I am removing both the railway and the tariff?

A. Well, if you are removing both, but still the freight rates would be higher from the east to the west.

Q. Would not it depend upon the way the west developed as a result of no tariff and no railway north of the Great Lakes?

A. You mean there would not be so much traffic from the east to the west?

Q. Well, nobody knows.

A. I agree with that. If there was a **free tariff between** Canada and the United States, there might be more **traffic** between Western Canada and the United States than there is today.

Q. And the whole of the west may have developed in an entirely different way if things had not turned out as they did?

A. The west might have developed so fast that there might have been more traffic moving from the east to the west than there is today.

Q. My whole suggestion is that you are in the realm of conjecture when you say "take out the railways or take

out the tariffs." The fact is they are both there?

A. There is no conjecture so far as freight rates are concerned.

Q. I think we will let it go at that because we have had a very thorough discussion on it. Now, there is one other brief subject on the question of economic union.

THE CHAIRMAN: Before we come to that, you are dealing with paragraph 34?

MR. SHEPARD: Yes sir.

THE CHAIRMAN: The Canadian Pacific Railway says there: "The impression prevails in many quarters --". Now, where are those "many quarters"? Who are those that make that assertion? Are you one of them?

MR. SHEPARD: I am certainly not one who would deny that the freight rate level is lower than the American. I do not know who those people are.

MR. EVANS: There have been a large number of representations made here that rather suggest that because of the way Canada has developed and because of the way the railways were built, because of the tariff policy there has been a forcing of traffic into the east and west channels and that in some way the people of Canada have been put at a disadvantage in respect of transportation charges. That has been made quite clear by a very large number of people and I think the first person who mentioned it was Professor Stewart when he gave evidence at Edmonton. There have been a large number of other witnesses who have also expressed that view.

THE CHAIRMAN: Well, does that view assume that if the products of Western Canada had gone right straight through to begin with into the United States, say, as far as Minneapolis and then east to the export point, the

west would be better off today than it is now?

MR. EVANS: Well, I should not be in the position of stating the case for these people.

THE CHAIRMAN: But you were telling us what Professor Stewart said.

MR. EVANS: Well, he put it this way, I think. I asked him about this question. I want to be fair to him but I think he put it this way, that they had paid a very great deal to remain Canadian, for the privilege of remaining Canadian.

THE CHAIRMAN: But that is a different point. Didn't he mean this, that we had disregarded our desire to remain Canadian and had just thought of **becoming** something else and running our railroads north and south our markets would be not eastern America or in Europe but there in the Middle West in Minneapolis and St. Paul and in Chicago?

MR. EVANS: That is exactly what I have in mind and I think what he had in mind.

THE CHAIRMAN: But you say there are those who say: "In order to remain Canadians we accept the situation of building the Canadian Pacific Railway across the north shore of the Great Lakes into Eastern Canada and not only selling that way but buying our products in Eastern Canada, implements and so on, instead of buying them at this nearer locality in the Middle West United States." So you are entering into a much bigger subject than merely comparing American rates east and west with Canadian ones.

MR. EVANS: Our position is simply this; we have two positions on that question of the east and west so-called ribbon provided by this narrow geographical section of Canada between the east and the west. One

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is, that by and large the traffic moves east and west whether it moves through the United States or not, the important traffic and, second, that if we were an economic union with the United States, the trend of their railway rates and costs would have been felt more greatly in Canada than it now has and that we would have gone along with them and had higher railway rates rather than that they should have lower rates.

THE CHAIRMAN: Still provided our markets remain the same as they are today in the east and in Europe?

MR. EVANS: Well, it may be so.

THE CHAIRMAN: That is what it means, I think.

MR. EVANS: If our market had been found in the United States, I think our position would still be that the eastern market ultimately is the big market for the western products and that the eastern producer of manufactured goods finds his market very largely in the western United States and would find it in Western Canada and that by and large the movement of the volume of traffic would be in the same direction and that the rates would be higher.

THE CHAIRMAN: Well, is there much point now in speculating on what might have been?

MR. SHEPARD: No sir, that was my point in bringing it up. There is not really any use speculating on it now because the development of trade has fixed a pattern which is going to be followed in the future.

(Page 15725 follows)

THE CHAIRMAN: It seems to me that the case is now this, that the products of Western Canada destined for exportation go along these Canadian routes.

MR. SHEPARD: Exactly.

THE CHAIRMAN: And then, Mr. Evans, I suppose, would say that if they went further south and then east along the American routes, they would be more expensive and not less expensive. That is true, is it not?

MR. SHEPARD: True under today's conditions, but I say that does not prove anything, because the pattern is fixed and there is no point in saying "Give us the American rate" because you have already developed a pattern which makes it less expensive up here,

THE CHAIRMAN: But then you say that that argument which consists in comparing American rates to Canadian rates and saying the American rates are higher, does not stand in the way of your case, the case you present.

MR. SHEPARD: Exactly, sir.

THE CHAIRMAN: Isn't that right?

MR. SHEPARD: Yes.

THE CHAIRMAN: Tell me succinctly what is your case?

MR. SHEPARD: With reference to this matter?

THE CHAIRMAN: On the whole matter, yes.

MR. SHEPARD: We have no submission to make, because the only reason I asked any questions on this at all was that I thought it implied that a

change today would result in an increase in freight rates in Canada, and it didn't seem to me that there is any practical value to that indication because the change would never be made with the pattern set as it now is.

THE CHAIRMAN: Now taking it that way, that if you had to use the American means of transport to get your products east and out of the hemisphere, it would be more expensive because freight rates are higher.

MR. SHEPARD: Yes.

THE CHAIRMAN: Notwithstanding that what do you say?

MR. SHEPARD: We accept the situation as it is today, in Canada. We recognize the development resulting from the tariff barriers in the building of the C.P.R., and whatever economic or geographic disadvantages have resulted from that we are prepared to accept, but we don't want to have discrimination, either in favour of our area or against our area, or in favour of another area of Canada or against that other area.

THE CHAIRMAN: Well, as I remember your case when presented, in Manitoba I mean, you say there is still this discrimination?

MR. SHEPARD: Yes.

THE CHAIRMAN: But not as much as there used to be?

MR. SHEPARD: That is correct.

THE CHAIRMAN: In favour of Eastern Canada as against the West?

MR. SHEPARD: That is on the general level of rates.

THE CHAIRMAN: That is your case generally?

MR. SHEPARD: Yes, sir.

MR. EVANS: All I can say in reply to that is that if all provincial counsel would take this position, a good deal of this paragraph need not have been put into the Brief. In other words, if the cap does not fit we don't expect them to wear it.

MR. SHEPARD: Then I can take the cap off I guess. Then, Mr. Jefferson, I wanted to refer first of all to a short statement on page 48 of Part I which in turn refers to the Appendix, pages 54 -55 of the Appendix. I will just read the sentence from page 48 at the top of the page:-

"A comparison of many freight rates in Canada which move large volumes of traffic, with freight rates in the United States on similar movements, will demonstrate the lower level of rates applicable to Canadian shippers".

Then you refer to the Appendix pages 54 - 55, and those two pages include a number of comparisons, and there are many other pages in the Appendix on similar U.S. - Canadian comparisons. I just wanted to discuss with you for a few minutes the question of those United States - Canadian comparisons. I think I should start perhaps by saying that I think it is obvious to all of us that the rate levels in the United States are higher than the rate levels in Canada. I presume you would agree with that.

A. That is generally so, yes, sir.

Q. And would you also agree, Mr. Jefferson, that rate levels in themselves cannot be properly compared unless the costs in the two countries are also compared. In other words, putting one American rate up against another Canadian rate does not prove anything, except that one is higher than the other or lower than the other.

A. No, but these exhibits show that the rates are so much higher for the United States movements than for the Canadian movements, and it is because the United States railroads have had so many increases so much quicker than have the Canadian railways, and our costs have gone up - I won't say entirely with the United States railroads, but they have gone up much faster than we have had increases in freight rates.

Q. Well, would you agree with me, Mr. Jefferson, that to make a meaningful comparison of railway operations in Canada with those in the States, it would be necessary not only to compare rate levels but the ingredients of costs and expenses incurred by the railways in operating in the two countries.

A. We know we cannot compare the costs for all these movements in the United States.

Q. That was not my question.

A. Well, what is your question?

Q. My question is, to make a meaningful comparison of railway operations in the States with those in Canada, it would be necessary not only to compare rate levels in the two countries but also to compare the costs of operations in the

two countries.

A. These statements are only to compare the patterns of rates in the two countries.

Q. I appreciate that.

A. Sure.

Q. Would you agree with me that if you were to compare costs, you would have to look at a large number of factors?

A. Oh, yes. I am not going to go into costs of the American railroads because I can't do it.

Q. I am not either. I am just going to mention some of the factors that occur to me, and see whether you would agree that those factors would have to be considered in order to make a full comparison.

A. But I would make the general statement that the costs in the United States are not so much more than the costs in Canada that they would justify the rates in the United States being so much higher than they are in Canada.

Q. Well, I appreciate that is your opinion. In fact it think it is already on the record.

A. Yes, sir.

Q. But to get back to the factors that have occurred to me, cost factors, that would have to be considered,--would you agree, for instance, that terminal costs would be higher in the United States generally than they are in Canada?

A. Again I don't know where we are going to get by discussing it because I don't know what the terminal costs are. You will have points in the

United States where their terminal costs are more than ours; you will have other points in the United States where their terminal costs are less than ours, and I could not tell you.

Q. I appreciate that. I am asking you a very general question and I am a layman and you the expert, and my idea - -

A. I am not an expert on costs.

Q. No, but where there are large centres of population, wouldn't it seem reasonable to you that the terminal costs in these large centres would be greater than in smaller centres?

A. New York, Chicago and places like that, I would say yes.

Q. And Canada has nothing comparable to that?

A. No, sir.

Q. But you would not go along with my suggestion that probably terminal costs in the United States would be a greater factor than they are in Canada?

A. Would be a greater factor?

Q. A greater factor, would be heavier in the United States.

A. Not in relation to our freight rate level, no, sir.

Q. But I am not asking in relation to our freight rate level. What I am driving at^{is} that that might be one of the factors which would account for the difference in the levels.

A. One of the factors? Terminal costs would be one of the factors which would justify

higher rates in the States than in Canada.

Q. Exactly.

A. Yes, sir.

Q. And another factor which might justify higher rates in the United States would be a higher standard of service. I am not asking you to tell me whether they have a higher standard of service or not, but if they do have that would be another factor?

A. I would not think so, because I would not think they would have a higher standard of service unless they had a higher volume of traffic.

Q. Which they have.

A. Quite so, but they have traffic which compensates for it.

Q. But is it not a fact that the American railways, for example, on their passenger service give a far higher standard of service than we ever boast about?

A. Because they have a higher density of passenger service where they have a higher standard of service.

Q. Well, I understand that they also have a very heavy loss on their passenger service?

A. That may be.

Q. But, would you not agree with me on a more or less hypothetical basis, Mr. Jefferson, that the standard of service would be a factor in determining the level - -

A. They have a standard of service to go with the volume of traffic.

Q. It could go with the volume of traffic or it could go with extravagant management for that matter, couldn't it?

A. That may be, but you could not say that all railroads in the United States are extravagantly managed.

Q. No, I'm not suggesting that.

A. No, sir.

Q. But the standard of service is not automatically geared to traffic volume. There is an important element in the overall meaning of the phrase "standard of service" that is put to the management as to what service they are going to provide to handle the volume of traffic offered?

A. Well, I would not think that any railroad would have the standard of service that you are speaking of unless it had the traffic to justify it.

Q. Well, the next factor that I wanted to mention, Mr. Jefferson, was that of route circuitry. My understanding is that in the United States the routes and the multiplicity of railway lines are much more circuitous than they are in Canada. Would you agree with that?

A. Not in the main, no, sir. If you could give me an illustration I may be able to discuss it with you.

Q. I am not enough of an expert to give you one, but I have been told there are a good many occasions where one line which wants to retain the traffic on its own line will haul goods further than the most direct route between two points.

A. We do in Canada too.

Q. But isn't it so that it is a greater factor in the United States than it is in Canada?

A. Maybe on the greater volume of traffic, yes, sir, I will go that far.

Q. Yes, and they would have the tendency if there is a heavy volume of traffic that is to be hauled further than necessary, it would have the tendency to increase railway costs in the United States?

A. I would not think it would be of such importance that it would affect railway costs in the sense that we are discussing it.

THE CHAIRMAN: Are you quoting cases where goods are hauled further than necessary and the shipper would have to pay the cost of the longer haul?

MR. SHEPARD: Exactly.

THE CHAIRMAN: It gets it from the cost?

MR. SHEPARD: Exactly, he is only entitled by law, as I understand it, in the States, to charge short haul rates, but he has to maintain a longer line and use more fuel to get his goods there.

THE CHAIRMAN: Therefore the proportion between the costs and the rates is different from what it would be for the shorter haul?

MR. SHEPARD: Yes, sir, that was my point.

Q. Then, Mr. Jefferson, perhaps this moves closer to your home territory. I wanted to ask you about differences in freight classifications. If you pick out a rate with a particular commodity name

on it in the States, would it invariably correspond to the same thing in Canada in the Canadian freight classification?

A. Not necessarily, no. We have ten classes in our classification and in the United States, That is, in what we know as the official classification territory east of the Mississippi and north of the Ohio and Potomac Rivers they have a classification with six classes and then what they call a couple of rules, Rule 25, and Rule 26. A number of commodities would have the same classification rating in both classifications, but a lot of them would have different ratings. Some would be higher, some would be lower.

Q. Then to make an effective comparison within rate levels you would have to be careful that your classifications in the two countries were actually comparing like with like. Is that correct?

A. Well, I don't know that you would determine rate levels from the use of classification, because you have such a large volume of traffic that moves at commodity rates. Far more traffic moves at commodity rates than at class rates. I could not tell you the percentage but I don't think in the United States or in the official classification territory, I don't think 25% of the traffic moves at class rates.

Q. Perhaps I am not making myself clear. What I have in mind is an illustration that the grain classification includes more commodities in the States than it does here. Would that be correct?

A. The grain and grain products classification in the United States I dare say includes more commodities than the classification in Canada, that is in the commodity tariff.

Q. Perhaps I was misleading in my question.

A. Grain and grain products do not move in class rates, generally speaking, in either country; they move at commodity rates.

Q. The point I really had in mind is best illustrated, perhaps, by a comparison: if you look at a tariff in the United States, and pick out the rate for grain and grain products, and put it down, and then pick out the rate in the Canadian tariff on something similar -- assuming it was in the tariff -- you would have to analyze the two classifications before you could really compare the two rates?

A. All I want to say, Mr. Shepard, is this: a comparison of rates, and a comparison of so-called rate levels are two entirely different subjects. You can make a comparison of rates on a given commodity between any number of points by making a comparison in one country for the like distance on the same commodity, and then compare it with the rates in Canada. That is a comparison of rates.

Q. My only point is that you have to make a comparison of the exact same commodity?

A. Quite so.

Q. And another factor I would suggest that would have to be taken into account in any useful comparison

between the United States and Canada, would be the type of terrain or the type of ground over which the railway travels, and also the general climatic conditions and anything that affects the actual operation of the railway?

A. Yes. I don't think you will find that --

Q. There is no dispute about that?

A. No, but I don't think you will find anything as severe in the United States as in Canada.

Q. That may be so; I am not trying to say which is worse or which is better; all I am trying to do is suggest that these factors all have a bearing on the cost of operation.

A. That is true.

Q. Between the two countries.

A. Yes, sir.

Q. And you must consider them?

A. Yes, sir.

Q. And the question of traffic density, I think you would agree, would be a factor?

A. Yes, sir.

Q. And the question of the level of labour costs would be a factor?

A. It would be a factor of railway costs?

Q. Yes.

A. Yes, sir.

Q. You are not intending to imply, I presume, Mr. Jefferson, by all these comparisons, that the Canadian rates should actually be raised to the United States levels?

A. We are not suggesting that in any application we have made to the Board.

Q. Any more than you suggest that the labour costs should be raised to the United States level?

A. We would like to get what we have asked for, though.

Q. Now, Mr. Jefferson, I wish to put a rather hypothetical question to you, and I would like to get the benefit of your opinion as a practical railroad executive. On page 50 of Part I of the Canadian Pacific submission, at the top of the page, -- and preceding this there has been a discussion of transportation subsidies --

A. The Maritime Freight Rates Act?

Q. Yes, it is under the general heading of the Maritime Freight Rates Act.

A. Yes, sir.

Q. I am not going to deal with that subject, but I have just one question to ask you after I have read this statement at the top of page 50. It reads:

"The further and fatal objection, in the opinion of the Canadian Pacific to the principle of transportation subsidies, is that it can only end in vicious competition between various areas, transferring transportation costs from those who use transportation to the taxpayers at large."

I want to make it quite clear that Manitoba is not advocating subsidies any more than the C.P.R. is advocating them, but I wish to ask you what your opinion would be under the following circumstances: supposing that the traffic volume on the Canadian Pacific Railway dropped substantially sometime in the future. . . I am thinking possibly of development of competing forms of transport that do not exist today, that would have an adverse effect on your general tonnage of traffic offered. . . and supposing, at the same time, that you had that loss of traffic you had no decrease in general levels of expenses. I realize you would have some because they would vary with the volume of traffic. But would your opinion be that the question of subsidy

should still be discarded entirely and not considered by the C.P.R. until the point is reached when the C.P.R. goes bankrupt? What would you say on that hypothetical basis, if you were running behind? Would you say that subsidies would have to be considered?

A. I don't know if I get your question, but if the traffic wasn't there to move, a subsidy wouldn't help move it.

Q. No, it wouldn't help move the traffic.

A. No, sir.

Q. But it might help to keep you from going bankrupt?

A. You mean Canadian Pacific would get a subsidy?

Q. Yes.

A. We have never had any one help us out on our ups and downs; we have had to stand by ourselves.

Q. I appreciate that, but I am putting to you a hypothetical situation. If you prefer not to answer, that is quite all right, but I wanted to get the benefit of your opinion on it. If traffic should drop because of competitive changes, and you could not do anything about it -- you had lost the traffic -- and by reason of rising costs your expenses did not drop, and as a result you were not making a return on your investment and required assistance, there would be two alternatives open: one, you could pursue your independent course of free enterprise, but of course any company that cannot operate on its own goes bankrupt; the second alternative is, because the Canadian Pacific is essential in the national economy, **it** probably would not be allowed to go bankrupt. . . Have you any view one way or the other on that question?

A. I don't think that is a question for me to answer.

Q. Now, Mr. Jefferson, on page 56 of Part I --

and you will be glad that I am almost getting to something on rates -- paragraph 36, at the bottom of the page, reads:

"Canadian Pacific submits that the principles of rate-making at present laid down in the Railway Act and in the decisions of the Board of Transport Commissioners are sound and in the public interest and do not require any substantial amendment."

Now, that is in a few words quite a statement. I appreciate that it is perhaps a matter of argument, but I want to ask you if you would care to elaborate on that statement by giving your opinion as to the basis of it, or make any comment on it?

A. I would certainly say that I agree with it.

THE CHAIRMAN: Q. You of course agree with it?

A. Yes, sir.

MR. SHEPARD: Q. Would you care to elaborate on why you agree with it, or to express any views?

A. First of all I would say that the principles of rate-making at present laid down in the Railway Act, and decisions of the Board as carried out by the railways, have stood the test of time, and I think that any change would hurt Canada more than it would help Canada.

Q. They have stood the test of time to the satisfaction of everybody but seven provincial governments, is that your view, Mr. Jefferson?

A. I don't want to appear saucy at all, but I think a lot of it is imaginary.

Q. A lot of it is imaginary?

A. Yes, sir.

Q. But there is nothing imaginary about the long haul between Toronto and Winnipeg?

A. No, sir.

Q. Or between central Canada and the Maritimes?

A. Nothing imaginary about the distance, no, sir.

Q. Then, Mr. Jefferson, turning to page 57, paragraph 37, at the top of the page:

"It is hardly open to question that the railways have now lost the monopolistic position which they then occupied."

That is referring to the good old days. I just want to get your agreement, and I am sure you will give it to me, on the fact that you have not lost your monopolistic position with reference to the long hauls and bulk traffic. You still have a monopolistic position with reference to long haul and bulk traffic?

A. Not entirely, no. I mean to say, look at Canada, if you will: look at the bulk traffic that the railways lose between the head of the lakes and the Gulf of St. Lawrence. That would be No. 1.

Q. By water?

A. Yes, sir.

Q. You have lost that for a number of years?

A. Quite so. We have no monopolistic position on the traffic.

Q. I agree with that.

A. Between the Pacific coast and Eastern Canada we have no monopoly on traffic with boat lines operating through the Panama Canal.

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Q. That is, Mr. Brazier's ship, you mean?

A. Yes sir, we certainly have no monopoly on that traffic.

Q. No, that is right.

A. Then we have the truck competition all over the country.

Q. There is no truck competition between the Toronto area and the city of Winnipeg to any extent?

A. Well, not to any extent but I read in the papers and I see photographs of hauling automobiles from Windsor to Winnipeg and Regina on these trucks that carry three or four automobiles.

Q. But the trucks are not taking grain or lumber from east or west?

A. No, but there is water and truck competition between Eastern and Western Canada over the Great Lakes and over the Trans-Canada Highway from Fort William west.

Q. I am sure, Mr. Jefferson, granting all those qualifications that you have just expressed, that you would agree with me that as far as getting the benefit of any competition is concerned the long haul traffic does not get it?

A. Quite right, but I think you will agree with me too that the railways have not the same monopolistic position as you speak of on freight traffic today that they had, we will say, fifty years ago.

Q. No question about that and that is all that I wanted to bring out here and this statement is not any more than you have just said now -- "It is hardly open to question that the railways have now lost --" and I would say "any part of the monopolistic position which they then occupied"?

A. That is all right but it is quite a big part.

Q. But that is a big statement without the "part" put in it. Then, in paragraph 38, Mr. Jefferson, the short one, the one we have just been looking at, it suggests that if there is any change to be made in the rate-making system as set forth in the Railway Act, it should be in the direction of affording greater flexibility and freedom to the railways. Now, I just wondered whether you had any views as to what you would recommend to get greater flexibility and freedom for the railways in rate-making?

A. Well, I am not really suggesting any greater flexibility than we now have except that the railways would like to have the opportunity of meeting the competition of its competitors without having to make agreed charges on published tariffs. We cannot do as our competitors do.

Q. You would prefer what?

A. A water carrier handling bulk traffic can make a contract without anyone else knowing what the rates are. Trucks can do the same thing in many parts of the country and -- I will put it this way to you, that we would not need any greater flexibility and freedom if there was the same stability of rates with all other modes of transportation as there is with the railroads.

Q. Perhaps you have two alternatives in mind, Mr. Jefferson. One would be that the railways would be excused from filing any tariffs dealing with competitive rates or the other that your competitors be compelled to file tariffs. Would either one suit you?

A. I think it would be better for the country to have the other modes of transportation file tariffs and be required to live up to them.

THE CHAIRMAN: Well, Mr. Shepard, we will adjourn now. (---The Commission adjourned at 4.10 p.m. to meet Monday, February 20, 1950 at 10.30..)

The first part of the paper is devoted to a discussion of the general principles of the theory of the structure of the atom. It is shown that the structure of the atom is determined by the laws of quantum mechanics, and that the laws of quantum mechanics are determined by the laws of the theory of the structure of the atom.

The second part of the paper is devoted to a discussion of the general principles of the theory of the structure of the atom. It is shown that the structure of the atom is determined by the laws of quantum mechanics, and that the laws of quantum mechanics are determined by the laws of the theory of the structure of the atom.

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